

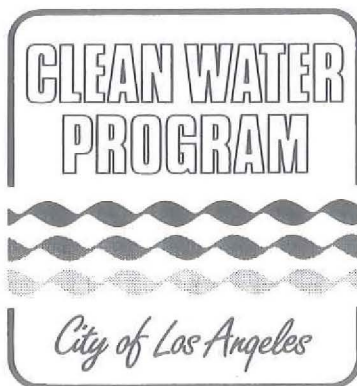


CITY OF LOS ANGELES
BUREAU OF SANITATION
CLEAN WATER (WASTEWATER) PROGRAM

COUNCIL FILE 10-1947 ✓

STATUS REPORT NO. 3

SEPTEMBER 2011



CITY OF LOS ANGELES




SANITATION
DEPARTMENT OF
PUBLIC WORKS

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: September 8, 2011

TO: Honorable Jan Perry, Chair
Honorable Committee Members
Energy and Environment Committee

FROM: Enrique C. Zaldivar, Director
Bureau of Sanitation 

SUBJECT: CLEAN WATER (WASTEWATER) PROGRAM REPORT BACK NO. 3
CF # 10-1947

Following the submittal of our report titled "Clean Water (Wastewater) Program - Status Report" dated March 24, 2011, your Committee has held a number of hearings on the financial and rate scenarios part of the report. In the most recent hearing of August 2, 2011, your Committee instructed Sanitation to clarify the difference between the Operation and Maintenance (O&M) and Capital (Construction) parts of the Clean Water Program (CWP); to make an expanded use of graphs and charts to present the various rate scenarios including a contrast between the 5-year and the 10-year rate proposals; and to present a compilation of all the written letters of support (or opposition) that we have received to date.

Attached to this transmittal is a report back in response to your Committee's instructions, as well as revisions to the proposed rate adjustment amounts. We had previously presented a timeline with recommended dates of approval. A revised timeline with the key milestones is noted below.

Projected Approval Timeline – Revised

Activity	Estimated Date of Approval / Completion
BOS submits report to Mayor & City Council	3/25/2011
Authorization for Prop 218 notification	
Consideration & Approval by Energy & Environment Committee	9/13/2011
Consideration & Approval by City Council	9/27/2011
Mayor's Concurrence	10/4/2011
Print & Mail Prop 218 Notifications	10/28/2011
N.C. and Stakeholder Outreach (began 5/2/2011)	12/16/2011
Public Hearing @ City Council (after 45 days)	12/16/2011
Mayor's Concurrence	12/22/2011
Post Ordinance	12/23/2011
30 Days Public Review	1/23/2012
Ordinance for all rate adjustments in effect	1/24/2012

We have continued our outreach to the stakeholder community and as of September 8, 2011, we have met with 55 community/stakeholder groups and continue to schedule meetings with additional groups. It has been our intent to convey to the stakeholders and the rate-paying community as a whole the value of their Clean Water System as an important and critical infrastructure asset of the City, the cost of keeping it running, the measures we have taken to reduce costs, and the need to invest in it now to ensure it keeps running to stay in compliance with all of its stringent regulations put in place for the protection of public health and the environment. The feedback has been very positive, with support from diverse community and business groups, such as the Valley Industry and Commerce Association (VICA), Los Angeles Business Council, LAX Coastal Area Chamber of Commerce, Rampart Village Neighborhood Council, Heal the Bay, TreePeople, Santa Monica Baykeeper, Green LA Coalition, and SEIU Local 721.

Much as we have reported to you in our previous communications, we have significantly reduced the amount of funding for capital construction. BOS has halted the award of all construction projects that are not part of the Collection System Settlement Agreement (CSSA) while the rate adjustments are under discussion. This reduces the liability to the CWP until there is certainty that funds will be available to pay for these construction contracts. Significant delays in implementing the rate adjustments will require that the CSSA projects also be placed on hold. The available funding will be focused on operating and maintenance of the system, payment of debt service, completing construction contracts that have already been awarded, and funding emergency projects. This would reduce the 2011-12 CIP expenditures from a planned \$115 million to approximately \$60 million, and reduce 2012-13 to approximately \$40 million. Any further reductions would most likely place the program in jeopardy of not meeting its regulatory requirements that would subject the City to costly fines.

We appreciate your Committee's consideration.

c: Honorable Antonio R. Villaraigosa, Mayor
Gaye Williams, Chief of Staff
Romel Pascual, Deputy Mayor, Environment
Board of Public Works Commissioners
Miguel Santana, CAO
Gerry Miller, CLA
BOS Executive Team

**BUREAU OF SANITATION
CLEAN WATER PROGRAM
STATUS REPORT UPDATE**

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Attachment B – Summary of Public Outreach

Attachment C – Letters of Support

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Executive Summary

The City of Los Angeles (City) Bureau of Sanitation (BOS) is responsible for the collection, treatment and reclamation of wastewater generated by residential, commercial and industrial users in the City of Los Angeles and certain surrounding communities. BOS manages the City's Clean Water Program (CWP), which is responsible for operating and maintaining one of the world's largest wastewater collection and treatment systems. The system includes 6,700 miles of sewers, 44 pumping plants, three water reclamation plants, and one secondary wastewater treatment plant.

This report is an update to the report submitted March 24, 2011 in response to the December 17, 2010 City Council Motion (CF#10-1947) that directed the BOS to prepare a comprehensive report on the state of the City's Clean Water Program, including a financial plan. This also contains revisions to information presented in the July 28, 2011 update. Lastly, it also contains responses to comments by members of the Energy and Environment Committee at its meetings on May 17, 2011 and August 2, 2011.

Table 1 provides a summary of the Recommended Fee Adjustments. The adjustments have been revised so they now average less than 6 percent per year over the ten-year period. It is recommended that the initial adjustments become effective as soon after January 1, 2012 as possible, with annual adjustments occurring every July 1 thereafter. This report is focused on the recommendations that have changed since the March 2011 report, marked in Table 1 with an asterisk.

Table 1: Recommended Fee Adjustments

User Fee	Recommendations
Sewer Service Charge (SSC)	*Adjust fees on an annual basis for ten years.
	Implement a 0.5% increment for five years to fund a revolving fund loan program for rehabilitation of sewer laterals and abandonment of septic tanks.
	Allow adjustment of the default percentage discharge for commercial customers based on water conservation measures.
	Increase the low income surcharge to fully fund the low income subsidy program.
	Adjust the billings for certain governmental agencies to include the capital component of the SSC so they are billed on the same basis as all other customers.
Quality Surcharge Fees (QSF)	*Adjust fees on an annual basis for ten years.
Industrial Waste Fees	*Modify fees on an annual basis for ten years.
Septage Fees	Modify fees for full cost recovery this year, with annual adjustments thereafter.
Sewerage Facilities Charge	Update fees based on the current value of the system assets.

This was Table 1 in the March 2011 report.

I. Introduction

The City of Los Angeles (City) Bureau of Sanitation (BOS) is responsible for the collection, treatment and reclamation of wastewater generated by residential, commercial and industrial users in the City of Los Angeles and certain surrounding communities. BOS manages the City's Clean Water Program (CWP), which is responsible for operating and maintaining one of the world's largest wastewater collection and treatment systems.

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II. Updates to Recommended Rate Adjustments

The March 2011 Status Report contained recommendations for increases to the user fees based on projections of future expenses. BOS subsequently received updated information from the Office of the City Administrative Officer (CAO) for future salary, pension, and health care costs. BOS also reviewed its recommendations for minimum cash balances, debt service coverage, and other financial metrics. Revising these items based on updated information allowed BOS to reduce the recommended rate adjustments.

A. Recommended Financial Metrics

The March 2011 Status Report contained a recommendation to adopt a policy of maintaining minimum cash balances of \$30 million and \$100 million for operations and maintenance (O&M) and the capital program, respectively. The \$100 million minimum was necessary when the Capital Improvement Program (CIP), the largest component of the capital program, was \$250 million per year. Since the CIP has been scaled back and will likely remain below \$200 million per year for the next few years, BOS now recommends that the minimum cash balance be set to one-half of that fiscal year's budgeted CIP. That will ensure that sufficient funds are available for the construction work without maintaining a large cushion in the years when the CIP is smaller. No changes are recommended for the \$30 million minimum O&M cash balance.

The debt service coverage ratio is an annual calculation of $(\text{revenues} - \text{operating expenses}) / \text{debt service}$. The original report recommended minimum debt service coverage ratios of 2.5x for senior lien debt and 1.5x for all debt. The revised minimum recommendations are 2.45x for senior debt and 1.45x for all debt. While these coverage ratios are lower than typically found in a AA rated credit, it is believed that the lower financial metrics can be balanced by a ten-year commitment to adjust rates annually. If an adjustment period less than ten years is pursued, the coverage ratios would need to be higher, resulting in larger rate adjustments.

B. SSC Rate Adjustments

The proposed adjustments to the SSC include adjustments to the current rate to meet projected costs, adjustments to provide funding for a revolving loan program, linkage of the commercial percentage discharge value to water conservation policies, adjustment of charges to fully fund the low income subsidy program, and full billing of public agencies.

Annual Rate Adjustments

The SSC rates are based on both flow and strength, with certain additional strength costs being recovered through the Quality Surcharge Fees as described later in the report. This rate scenario includes the 0.5% increment for the first five years to fund the revolving fund loan program. Table 2 shows the proposed increases with monthly and annual bill projections for the typical single family residential (SFR) customer.

Table 2: Proposed Ten-Year SSC Rate Adjustments

	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Original % Increase	0%	5.5%	5.5%	8.5%	8.5%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Revised % Increase	0%	4.5%	4.5%	4.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Charge /hcf	\$3.27	\$3.45	\$3.64	\$3.73	\$3.97	\$4.23	\$4.51	\$4.80	\$5.11	\$5.44	\$5.80
Monthly SFR	\$29.88	\$31.22	\$32.63	\$34.10	\$36.31	\$38.67	\$41.19	\$43.87	\$46.72	\$49.75	\$52.99
Annual SFR	\$358.56	\$374.70	\$391.56	\$409.18	\$436.77	\$464.10	\$494.26	\$526.39	\$560.61	\$597.05	\$635.85
The senior lien and total debt service coverage goals of 2.45x and 1.45x are not met in FY 2011-12.											

This was Table 8 in the March 2011 report.

In their July 29, 2011 report, the CAO recommended a five-year rate adjustment plan, shown in Table 3.

Table 3: CAO Proposed Five-Year SSC Rate Adjustments

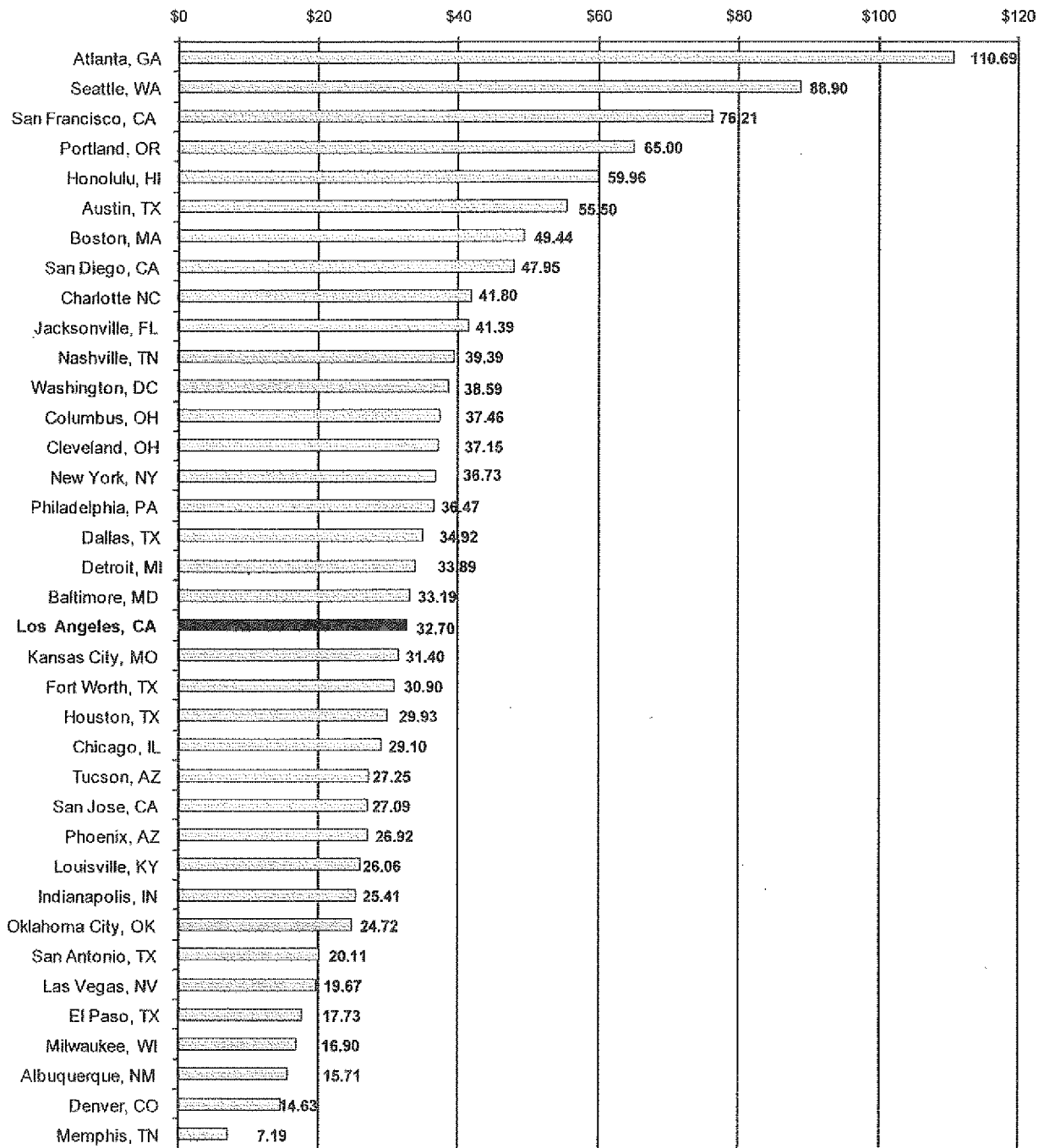
	10-11	11-12	12-13	13-14	14-15	15-16
CAO % Increase	0%	6.5%	6.5%	6.5%	7.5%	7.5%
Charge /hcf	\$3.27	\$3.48	\$3.71	\$3.95	\$4.25	\$4.56
Monthly SFR	\$29.88	\$31.82	\$33.89	\$36.09	\$38.80	\$41.71
Annual SFR	\$358.56	\$381.84	\$406.68	\$433.08	\$465.60	\$500.52

When CWP SFR average monthly bills are compared to other agencies across the country, shown in Figure 1, Los Angeles ranks in the middle third. This is appropriate for an agency making steady reinvestments in its infrastructure. Cities near the bottom of this 2009 list have since enacted major

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rate adjustments because they were underfunding their system. In 2010, Memphis raised rates 136 percent. Denver enacted a three-year series of rate adjustments in 2011 totaling 83 percent.

Figure 1: 2009 Typical Monthly Single Family Residential Sewer Service Charges for Cities with Population > 500,000

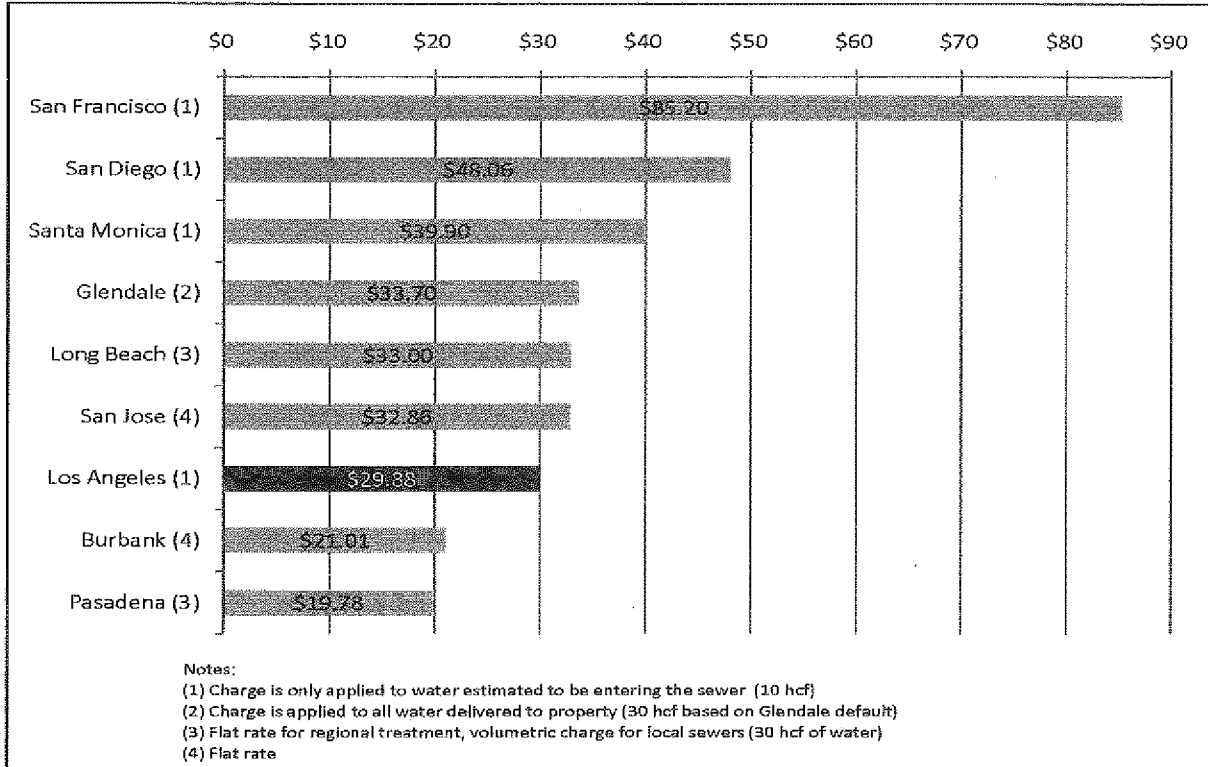


Monthly Residential Charge based on 10 hcf (hundred cubic feet) of Water 1

Source: 2010 Black & Veatch Rate Survey

In a comparison against local agencies (Figure 2), Los Angeles is again in the middle of the range, and even lower when other large California cities like San Francisco and San Diego are included. Because there was not an existing comparison normalized to the same flow amount, the amounts reflected are the ones the agencies provide to represent their typical customer.

Figure 2: 2011 Typical Monthly Single Family Residential Sewer Service Charge for Local Cities



Even after a ten-year series of rate adjustments, it is expected that the City will still be in the middle third because other agencies also have multi-year plans to increase their charges. The National Association of Clean Water Agencies (NACWA) released survey results in March 2011 that showed the majority of clean water agencies planned increases of 6.5-7.5 percent per year for the next five years. This demonstrates that the CWP proposed rate adjustments are reasonable compared to agencies throughout the country. Even after the proposed adjustments, the annual CWP SFR bill will still be less than the national averages shown in the NACWA survey in Table 4.

Table 4: Projected CWP Annual SSCs Compared to the National Averages

Year	NACWA Survey Average Annual SSC	CWP Projected Annual SSC
2011	\$401.81	\$358.56
2012	\$434.19	\$374.70
2013	\$470.91	\$391.56
2014	\$510.13	\$409.18
2015	\$547.44	\$436.77

C. Quality Surcharge Fees (QSF)

The QSFs are tied to the strength component of the SSC and both need to be adjusted at the same time and for the same period. These are the fees paid by industrial customers that discharge stronger than average sewage into the City's system. Table 5 contains rate recommendations based on the SSC increases, without the revolving fund loan component.

Table 5: Proposed Ten Year Quality Surcharge Fee Adjustments

	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Original % Increase	0%	5.0%	5.0%	8.0%	8.0%	8.0%	7.5%	7.5%	7.5%	7.5%	7.5%
Revised % Increase	0%	4.0%	4.0%	4.0%	6.0%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%
\$/pound BOD	\$0.349	\$0.363	\$0.377	\$0.393	\$0.416	\$0.441	\$0.470	\$0.500	\$0.533	\$0.567	\$0.604
\$/pound SS	\$0.351	\$0.365	\$0.380	\$0.395	\$0.419	\$0.444	\$0.472	\$0.503	\$0.536	\$0.571	\$0.608

This was Table 14 in the March 2011 report.

D. Industrial Waste Fees for Service

While the QSF captures the costs to the City of treating high-strength wastewater, it does not fund the operation of the pretreatment program. BOS has specific fees to fund the work involved with permitting and inspecting businesses that discharge industrial waste to the sewer system. These fees have not been adjusted in more than 15 years and no longer provide adequate funding support for the program. It is recommended that these fees be increased by the same percentage as the SSCs, less the 0.5 percent that will fund the revolving fund loan program. This will result in the fees shown in Table 6 below:

Table 6: Proposed Industrial Waste Fee Adjustments

Fee	Current (\$/yr)	11-12 (\$/yr)	12-13 (\$/yr)	13-14 (\$/yr)	14-15 (\$/yr)	15-16 (\$/yr)	16-17 (\$/yr)	17-18 (\$/yr)	18-19 (\$/yr)	19-20 (\$/yr)	20-21 (\$/yr)
Permit Application	356	370	385	400	424	450	479	510	544	579	616
Inspection and Control											
Class 1	244	254	264	274	291	308	328	350	373	397	423
Class 2	488	508	528	549	582	617	657	700	745	793	845
Class 3	732	761	792	823	873	925	985	1,049	1,118	1,190	1,268
Class 4	976	1,015	1,056	1,098	1,164	1,234	1,314	1,399	1,490	1,587	1,690
Class 5	1,220	1,269	1,320	1,372	1,455	1,542	1,642	1,749	1,863	1,984	2,113
Class 12	2,928	3,045	3,167	3,294	3,491	3,701	3,941	4,197	4,470	4,761	5,070
Class 1D	49	51	53	55	58	62	66	70	75	80	85
Significant Industrial Users											
Group I	4,191	4,359	4,533	4,714	4,997	5,297	5,641	6,008	6,399	6,814	7,257
Group II	4,054	4,216	4,385	4,560	4,834	5,124	5,457	5,812	6,189	6,592	7,020
Group III	2,219	2,308	2,400	2,496	2,646	2,805	2,987	3,181	3,388	3,608	3,843
Group IV	3,466	3,605	3,749	3,899	4,133	4,381	4,665	4,969	5,292	5,636	6,002
Group V	2,516	2,617	2,721	2,830	3,000	3,180	3,387	3,607	3,841	4,091	4,357
Group VI	2,359	2,453	2,551	2,654	2,813	2,982	3,175	3,382	3,602	3,836	4,085
The differing fees for each classification represent the different amount of oversight required for customers.											

This was Table 15 in the March 2011 report.

III. Additional Revenues

Table 7 shows the additional revenues should all of the recommendations in this report be implemented. This revenue would allow approximately \$200 million to be added to the annual capital program, reducing the replacement cycle from the current 168 years to 68 years.

Table 7: Additional Revenue Projections

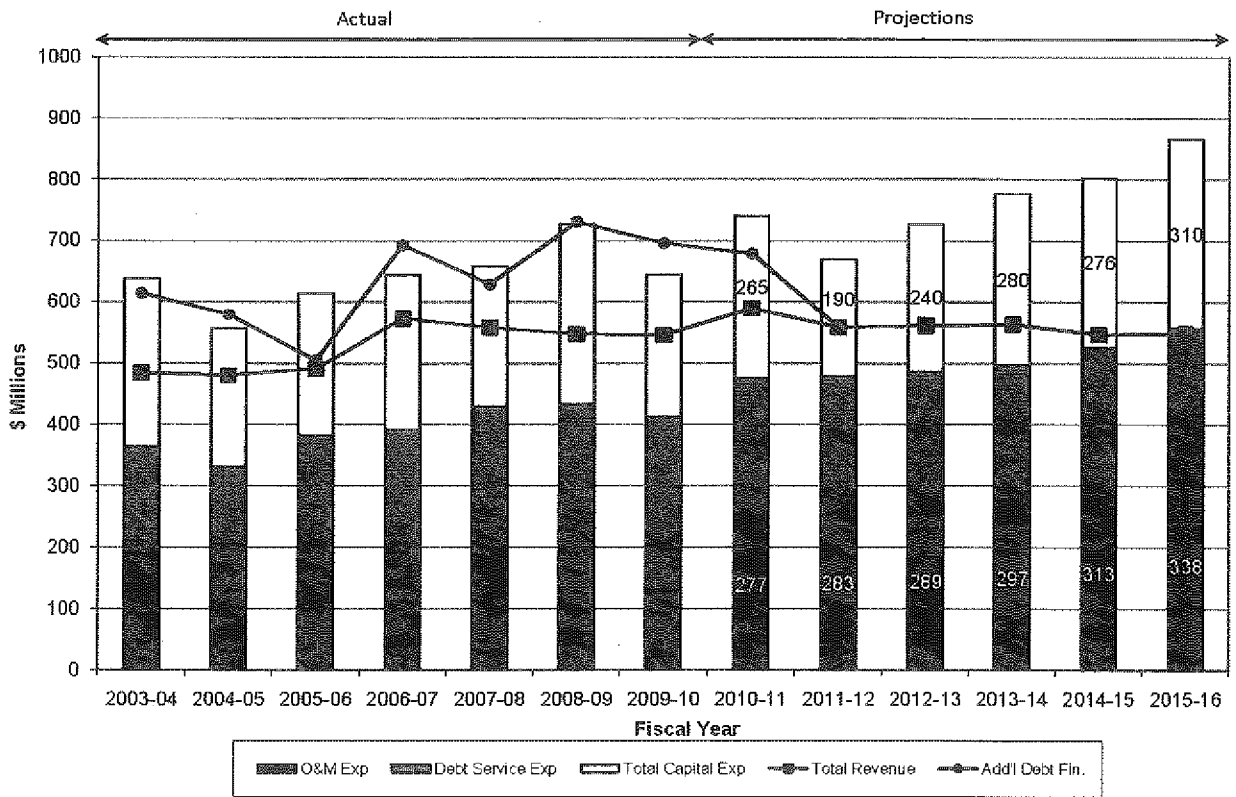
Fee	Additional Revenues (\$ millions)									
	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Sewer Service Charge	14.1	53.6	77.4	112.1	150.5	191.3	234.9	279.8	326.2	374.1
Quality Surcharge Fee	0.2	0.7	1.1	1.8	2.4	3.2	4.0	4.8	5.7	6.6
Industrial Waste & Septage Fees	0.5	1.0	1.3	1.9	2.5	3.1	3.8	4.5	5.3	6.2
Sewerage Facilities Charges	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Additional Revenue from Rates	15.8	56.3	80.8	116.8	156.4	198.6	243.7	290.1	338.2	387.9
FEMA/CalEMA Reimbursement	20.0	16.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total New Revenue	35.8	72.3	89.8	116.8	156.4	198.6	243.7	290.1	338.2	387.9
10-year revenue from new rates			\$1.885 billion			10-year revenue from FEMA			\$45 million	
Revenue From Existing Rates	531.0	531.3	531.8	532.0	532.2	532.6	532.9	533.4	533.6	533.8
Total Revenue	566.8	603.6	621.6	648.8	688.6	731.2	776.6	823.5	871.8	921.7
10-year total CWP revenue			\$7.254 billion							

This was Table 18 in the March 2011 report.

IV. Future Impacts Without Rate Adjustments

Figure 3 shows the historic and projected expenditures and revenues of the CWP without rate adjustments. The bars indicate the expenditures for the program, with O&M having the first call on revenues, followed by debt service, with any remaining revenues available for the capital program. The lines indicate the revenues received and the debt financing that is used to fund the remainder of the capital program.

Figure 3: CWP Revenues and Expenditures Without Rate Adjustments



In order to be fiscally responsible, BOS has already implemented measures to reduce costs in the event that rate adjustments do not occur. The largest impact is to the capital improvement program, since that has the last call on revenues in the hierarchy established by the CWP bond covenants. Table 8 describes additional impacts to the CWP during the next five years if rates are not adjusted.

Table 8: Impacts to CWP without Rate Adjustments

Fiscal Year	Impacts
2010-11	<p>BOS reduced the CIP budget submitted for 2011-12. As recently as 2009-10, this budget was \$228.3 million. In 2011-12, this has been cut in half to \$115 million, even though the needs have not decreased. BOS performed a careful analysis of the risks associated with delaying each project and ranked the projects to see which would be funded and which would be deferred. However, this can only be a short-term strategy. The decreases in CIP were larger than the annual revenue decreases because the CWP had to reduce debt financing. One dollar of revenue can be leveraged into more than seven dollars of construction through debt financing.</p>
2011-12	<p>BOS is holding off on awarding some of the projects in the 2011-12 CIP. At this time, only projects contributing to the Collection System Settlement Agreement (CSSA) are being awarded.</p> <p>If rate adjustments are not approved, no additional CIP projects will be awarded. The only new work that will proceed will be emergency repairs performed through existing on-call contracts.</p>
2012-13	<p>By not awarding additional sewer rehabilitation projects, BOS will not be able to fulfill the CSSA requirement of performing an average of 60 miles of sewer rehabilitation per year. This will lead to penalties, extension of the CSSA term, additional required projects, or even re-opening of the \$550 million litigation that was settled by entering into the CSSA.</p> <p>Reduced funding may require on-going construction projects to be halted, increasing liability due to construction claims.</p>
2013-14	<p>On-going construction contracts will be halted and there may not be enough funding for emergency projects. As scheduled construction projects are deferred, more emergency repairs will be required, costing up to 10 times as much as planned projects.</p>
2014-15	<p>The CWP will not be able to fund all of the emergency projects within this year.</p>
2015-16	<p>The CWP will not be able to fund any emergency projects and will not be able to make its debt service payments.</p>

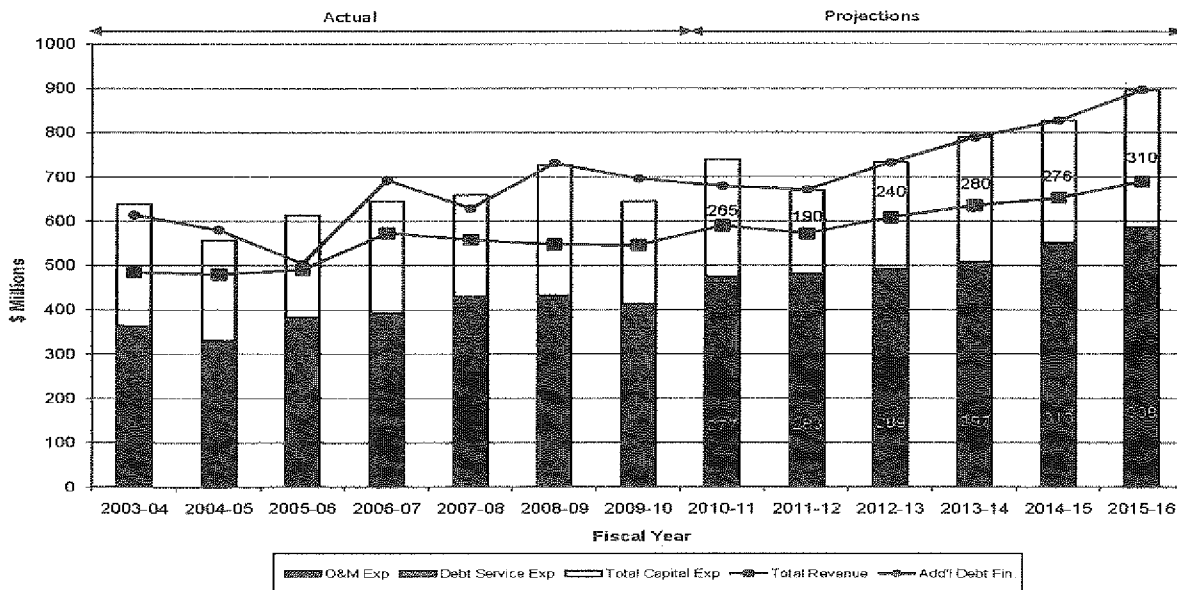
These actions have a variety of impacts on the public health and safety, environment, and financial liability of the CWP customers:

1. The City would violate the CSSA, leading to fines and reopening of the \$550 million lawsuit at a time when we would be 80 percent of the way through the ten-year program.
2. The City would be more likely to have emergency failures at its treatment plants, leading to violations of water quality standards. Consequences include beach closures, impacts to habitats in and along the Los Angeles River, Santa Monica Bay, and the Los Angeles Harbor, fines, regulatory actions against the City, and third party lawsuits.
3. The City would be more likely to have emergency failures of its sewage system, which could include significant odors, sewage discharges in the public right of way and onto private property, and sinkholes in the street. These would likely be followed by fines, regulatory actions, and third party lawsuits.
4. The City would face the higher costs and significant community impacts associated with repairing infrastructure on an emergency basis. Emergency repairs can cost up to 10 times as much as a design/low-bid/build project. There are also greater impacts from noise, traffic closures, and hours of construction due to the need to stabilize the area.

V. Future Impacts with Rate Adjustments

Figure 4 shows the historic and projected expenditures and revenues of the CWP with the ten-year series of rate adjustments. The following sections describe how the additional revenues will be used to meet CWP needs.

Figure 4: CWP Revenues and Expenditures With Rate Adjustments



A. Operations and Maintenance

Operations and Maintenance (O&M) refers to the day-to-day activities required to operate the sewers, pumping plants, wastewater treatment and water reclamation plants. It includes the salaries for the staff that operate and maintain these facilities, utilities, chemicals and other supplies, and minor repairs to the equipment.

O&M activities will continue at the current authorized staffing level. These staffing levels are expected to be adequate for the existing programs if vacancies are unfrozen. Price increases for utilities and chemicals that cannot be offset through conservation will occur during the next ten years and will be funded with additional revenues.

B. Debt Service

Annual debt service is the amount of principal plus interest paid every year to retire existing debt. The CWP currently has approximately \$2.7 billion in outstanding debt. The additional revenue will be used to 1) pay debt service on existing debt starting in 2015-16; 2) pay debt service for new debt that will be issued during the next ten years; and 3) increase the amount of cash financing of the CIP.

When constructing assets that last for 80 years, a certain amount of debt financing is good, so customers who will benefit from the infrastructure in the future will also share in the cost. But debt financing increases the costs of construction projects due to interest payments, in some cases almost doubling the total cost. For this reason, debt financing is best used in moderation. Because of the amount of debt financing that occurred in the past, the CWP is considered highly leveraged. The long-term debt per customer is more than three times higher than the average for AA rated wastewater agencies. In recent bond rating reports, rating agencies have emphasized the need for the CWP to fund more of its CIP through pay-as-you-go cash financing.

The 2011-12 budget for the CWP includes \$121 million in debt financing for a capital program of \$172 million, including the CIP, salaries, expense and equipment. This equates to 70 percent debt financing of the capital program. After the ten-year series of increases, it is projected that debt financing of the capital program will be reduced to 50 percent, a more sustainable level.

C. Construction

At the August 2, 2011 Energy and Environment Committee meeting, there were questions about the amount of deferred maintenance. To clarify, maintenance of existing infrastructure is not currently being deferred. What have been deferred are the larger construction projects that replace or completely rehabilitate equipment, structures, or sewers.

Rate adjustments will allow the CWP to "catch up" on deferred construction projects. The current replacement value of the CWP infrastructure is estimated at \$20 billion. The 2011-12 capital program budget includes \$119 million for replacement projects. This equates to a replacement cycle of 168 years. At the end of ten years, the expected capital budget for replacement will be \$294 million, reducing the average replacement cycle to 68 years. This is an acceptable average for a program with assets ranging in life from 20 years (treatment plants) to 80 years (sewers). This does not mean that at

the end of ten years all sewers will be less than 80 years old, since older sewers will not be replaced if they are still in good working condition. If the five year adjustment scenario is adopted, and is not followed by additional rate adjustments, in ten years the replacement cycle is estimated to be at 102 years.

Attachment A contains a list of CIP projects needed within the next ten years that cannot proceed without rate adjustments.

VI. Comparison of Ten-year and Five-year Rate Adjustment Plans

This report details a ten-year series of rate adjustments proposed by BOS. In their report dated July 29, 2011, the CAO recommended a five-year series of increases. Table 9 shows both of these plans, with impacts to a typical single family residential (SFR) bill.

Table 9: Comparison of Ten-year and Five-year Rate Adjustments

	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
BOS % Increase	0%	4.5%	4.5%	4.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Charge /hcf	\$3.27	\$3.42	\$3.57	\$3.73	\$3.97	\$4.23	\$4.51	\$4.80	\$5.11	\$5.44	\$5.80
Monthly SFR	\$29.88	\$31.22	\$32.63	\$34.10	\$36.31	\$38.67	\$41.19	\$43.87	\$46.72	\$49.75	\$52.99
Annual SFR	\$358.56	\$374.70	\$391.56	\$409.18	\$436.77	\$464.10	\$494.26	\$526.39	\$560.61	\$597.05	\$635.85
CAO % Increase	0%	6.5%	6.5%	6.5%	7.5%	7.5%					
Charge /hcf	\$3.27	\$3.48	\$3.71	\$3.95	\$4.25	\$4.56					
Monthly SFR	\$29.88	\$31.82	\$33.89	\$36.09	\$38.80	\$41.71					
Annual SFR	\$358.56	\$381.84	\$406.68	\$433.08	\$465.60	\$500.52					

This was Table 8 in the March 2011 report.

Both rate scenarios will provide for the same O&M and CIP for the first five years. The following sections will highlight the relative advantages of each proposal in several areas.

A. Initial Rate Impact

During discussions with the City Council offices, BOS was asked to stretch out the original five-year rate adjustment plan to lessen the impacts in the earlier years. This resulted in reducing the increases for the first three years to 4.5 percent per year. The surety of ten years of adopted rate adjustments provides the financial stability that allows the City to gradually achieve the financial metrics required to maintain at least an AA bond rating.

A shorter series of rate adjustments has the benefit of requiring less debt financing of the CIP in the first five years, but requires larger increases, particularly in the first three years. The annual average

increases in the first three years for single family residential properties would be \$17 in the ten-year scenario and \$25 in the five-year scenario.

B. Total Revenue

Table 10 shows the additional revenue generated by the ten-year and five-year rate adjustment proposals.

Table 10: Additional Revenue from Rate Adjustments

Proposal	Additional Revenue Years 1-5	Additional Revenue Years 5-10	Total
BOS 10 year	\$426 million	\$1459 million	\$1885 million
CAO 5 year	\$573 million	\$1064 million	\$1637 million

C. Future Rate Adjustments at End of Term

One of the questions asked at the August 2, 2011 Energy & Environment Committee meeting was whether additional rate adjustments would be needed at the end of the proposed increases. With the ten-year proposal, it is expected that future rate adjustments would only be required to keep up with inflation.

The CWP should be ready to transition to “maintenance mode” at the end of the ten-years. The CIP will be providing appropriate replacement cycles for the infrastructure, the percentage of pay-as-you-go financing of the CIP will be larger, and the financial condition will be sound. In the five-year rate adjustment scenario, it is expected that additional increases of 2.5 percent would be required in years six through ten to produce the same total revenue as the ten-year scenario.

D. Jobs Creation

The direct local economic benefits of CIPs have been studied and shown to have a substantial impact. A recent report by the Cadmus Group for The U.S. Conference of Mayors, determined that Water and Wastewater Infrastructure investment stimulates the nation’s economy and creates jobs. For every one dollar of water and sewer infrastructure investment, this report estimates that Gross Domestic Product (GDP) increases by \$6.35 in the long-term. For each additional dollar spent on operating and maintaining water and sewer industry, the increase of revenue or economic output for all industries is increased by \$2.62 in that year. In addition, every job added in the water and sewer sector creates 3.68 jobs in the national economy to support that job.

On December 17, 2010, the City Council approved the Board of Public Works Project Labor Agreement (PLA). This included a Public Infrastructure Program list of projects expected to be covered by the PLA. 41 of 51 projects in the list were from the CWP. These projects and other capital projects from the proposed CIP will provide substantial and direct benefits to the residents of the City of Los Angeles and the local economy in general. However, these projects cannot be constructed without rate adjustments.

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Table 11 shows the annual projected construction expenditures with associated jobs in the no increase, ten-year adjustment, and five-year adjustment scenarios. The construction expenditures in the five-year scenario will start decreasing in fiscal year 2017-18 unless there are additional rate adjustments. This table used the formula previously developed by the City that calculates for every \$1 million of construction, 5.7 jobs are created.

Table 11: Jobs Creation from CWP CIP

	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	Total
Without Rate Adjustment											
Annual Construction (\$M)	50	33	29	0	0	0	0	0	0	0	112
Job-Years Provided	286	189	166	0	0	0	0	0	0	0	640
With 10 Year Rate Adjustment											
Annual Construction (\$M)	115	156	179	190	205	220	235	250	265	280	2,098
Job-Years Provided	657	874	984	1023	1082	1139	1193	1244	1293	1339	10,827
With 5 Year Rate Adjustment											
Annual Construction (\$M)	115	156	179	190	205	220	213	207	201	195	1,881
Job-Years Provided	657	874	984	1023	1082	1139	1105	1072	1037	1008	9,837
Construction jobs-years are based on the assumption that 60% of the construction cost will go to labor and an assumed average labor cost to the contractor of \$105,000 per year (\$62.50/hr) per worker (adjusted 2%/year).											

In addition, the long-term stability from a ten-year series of rate adjustments could allow the CWP to be more creative in how it packages construction projects. For instance, multiple sewer rehabilitation projects could be bundled together to occur over a five year period rather than being bid individually. The security of locking in this work may lead to lower bids from the contractors.

E. Projections for Years Six Through Ten

The CAO report cited concerns about the ability to project costs in years six through ten as a major reason for their recommendation to limit rate adjustments to five years. BOS agrees that there are many unknowns in those years. However, the greatest driver for these rate adjustments is the CIP, and these costs are well-defined for the next ten years.

The CWP has been developing a ten-year CIP for the past 25 years, so is very experienced in projecting future costs. Specific projects have been laid out for the next ten years and the project costs have been

estimated based on actual bids and escalation rates. In the furthest years, when all of the specific projects have not been identified, placeholders are used to fill in the gaps, based on historical costs escalated for future years.

While BOS has been conservative in its financial assumptions, it has also been reasonable. The recommended rate adjustments do not cover a worst-case scenario. The rate adjustments do not assume new regulatory requirements, although those do generally increase costs.

When the last five-year series of rate adjustments was adopted in 2005, BOS made a commitment to live within those revenues, even if costs increased. For instance, in the building boom that occurred in the aftermath of Hurricane Katrina and in the lead-up to the 2008 Beijing Olympics, construction costs spiked due to shortages of materials and labor. Rather than request additional rate increases to make up for this, the CWP began a risk-based prioritization of its projects, allowing decisions to be made on which projects would proceed if bids came in higher than anticipated. The CWP also looked at its practices for estimating projects, including escalation factors, to realign estimates with the bidding reality.

These practices were again used in 2009 and 2010, when revenues dipped due a combination of the recession and mandatory water conservation. Revenues in each of these years were \$30- 40 million below projections. Not only did the CWP adjust to these reduced revenues, it also decided to forego the rate adjustments originally planned for 2009, 2010 and 2011 .

When the five-year series of rate adjustments was approved in 2005, it was intended to cover the first five years of the ten-year CSSA. It was expected that another five-year series of increases would be required to complete the CSSA. Due to the economic downturn, BOS delayed the request for these rate adjustments. This experience provided a good lesson, however, that the CWP cannot count on having rate adjustments approved at specific points in the future when they will be needed by the program. For this reason, it is believed that the security of having known rates for ten years outweighs the concerns that costs may be unpredictable and the adjustments may not be enough.

VII. Cost Reductions and Efficiency Initiatives in the CWP

The CWP is always looking for efficiencies to avoid passing higher costs on to the ratepayers. Over the years, the CWP has participated in best management practices reviews, peer reviews, and benchmarking studies. Because of the perpetual nature of the CWP, there is a high incentive to implement cost-saving measures because every dollar saved today will be available to fund tomorrow's activities. The need to identify even higher efficiency opportunities was stronger over the recent years in light of the poor economic climate and the financial stress caused to the CWP by the decline in revenue. In response, BOS evaluated the following areas for increasing efficiencies.

A. Debt Restructuring

Due to the large amount of outstanding debt, the City is continually reviewing opportunities to restructure the debt to achieve savings. Table 12 shows that \$2.9 billion of debt have been restructured during the past ten years, providing \$416 million in debt service savings.

Table 12: Debt Service Savings Resulting from Refinancing

Fiscal Year	Amount Restructured (\$M)	Debt Service Savings (\$M)	Economic Gain (Present Value) (\$M)	Comments
2001-02	407	34	25	
2002-03	503	1,184	43	
2003-04	551	160	36	
2005-06	350	904	46	
2007-08	605	-	-	Unknown savings because both refunded and refunding bonds are variable rate
2008-09	452	7	7	Restructuring of short-term commercial paper with long-term bonds
2010-11	74	7	4	
Total	2,942	416	162	

B. Wastewater Capital Improvement Program Prioritization

In order to maximize the benefit from available opportunities, comply with the CSSA, preserve existing infrastructure and optimize expenditures, the CWP is utilizing a risk management methodology to allow decision makers to select projects that would reduce the most risk at the lowest cost. The methodology includes scoring and ranking projects based on the likelihood of failure and the consequences of such a failure. In the past two years, the CWP has deferred projects worth over \$100 million that addressed the least risky conditions. Although this strategy has helped reduce costs in the short term, continued deferral of projects is unsustainable as non-essential projects may become emergencies.

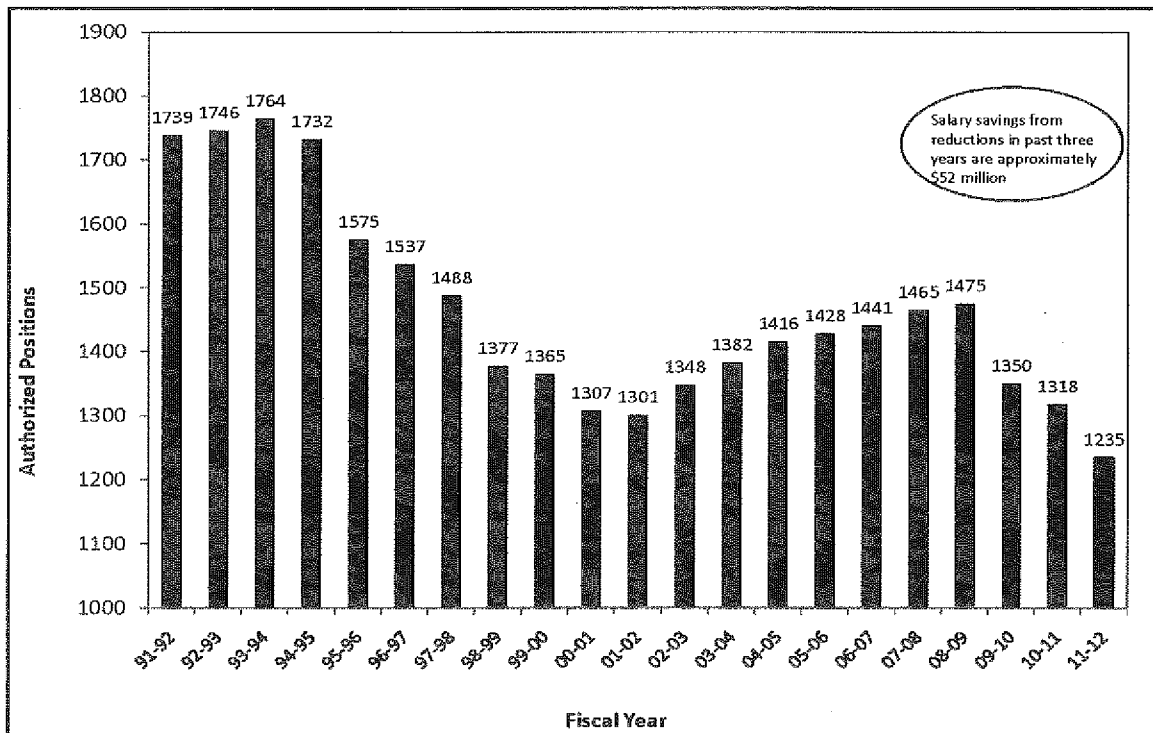
The CWP has also identified CIP savings through performing additional studies to ensure that the projects being constructed are the ones providing the most value to the ratepayers. The CSSA originally included the construction of seven Air Treatment Facilities to treat foul air from the East Central Interceptor Sewer and the Northeast Interceptor Sewer. However, after these two sewers were constructed, BOS determined that the foul air was not as bad as had been projected. BOS performed extensive air sampling, modeling and analysis to show that four of the seven ATFs did not need to be built, a savings of \$60 million. These funds were used to construct other sewer and treatment plant projects that provided a bigger benefit to the City.

C. Staffing Reductions

BOS recognizes that in order to be a responsible agency there must be a commitment to efficiency in the labor workforce, and to continue to meet the service expectations of the customers with the minimum necessary staff. To this end, BOS has significantly reduced its workforce over the last 20 years, while managing, operating, and maintaining an increasingly complex and capital intensive wastewater system.

Figure 5 presents the 20-year staffing history for the BOS portion of the CWP. It shows that the number of authorized positions has been reduced from a high of 1,764 in FY 1993-94 to 1,235 in FY 2011-12. This represents a total reduction of over 29 percent over a period of two decades. Staffing reductions have been achieved by automating certain activities at the wastewater treatment plants, which has allowed the reduction and combination of station posts. Automation has allowed more efficient dispatching of crews for the collection system through use of the FAST system.

Figure 5: Clean Water (Wastewater) Program Authorized Positions - BOS



Based on the American Water Works Association *Benchmarking: Performance Indicators for Water and Wastewater Utilities* report, the median ratio of wastewater processed per employee for wastewater service providers serving populations greater than 500,000 is 0.27 million gallons per day per employee. In comparison, the CWP ratio of wastewater processed to employees in FY 2011-12, with a staffing level of 1,235, is projected to be 0.31 million gallons per day per employee, which is better than the median and an indicator that the CWP is efficient.

D. Operational Efficiencies

While BOS is always exploring ways of operating more efficiently and reducing costs, this effort gained a new urgency in the fall of 2008 as revenues declined due to the economic recession and water

2011 Clean Water Program Status Report No. 3 to City Council

conservation efforts. Table 13 shows how the treatment plant and water reclamation plants have reduced operating expenses by more than \$27 million during two recent fiscal years.

Table 13: Operational Efficiencies

Area of Savings	FY 08-09	FY 09-10	Reasons
Contractual Services	\$1,717,870	\$5,211,802	Reduced biosolids hauling & efficient farm management
Operating Supplies	\$2,757,328	\$3,595,544	Optimized use of process chemicals
Utilities	\$7,939,084	\$5,870,070	Savings in steam, electricity and potable water categories (water conservation)
Total	\$12,414,282	\$14,677,416	

In the wastewater collection system, during these years over \$600,000 in reductions were identified that were used to offset increases in utility costs and operating supplies.

While BOS will continue to explore cost savings ideas, there is no guarantee that the savings shown above will continue. For example, while the Hyperion Treatment Plant was successful in reducing chemical consumption during the two years shown above, early in FY 10-11 they began experiencing problems with the treatment quality and had to increase the chemical dosages, so they did not have significant savings in this category in FY 10-11.

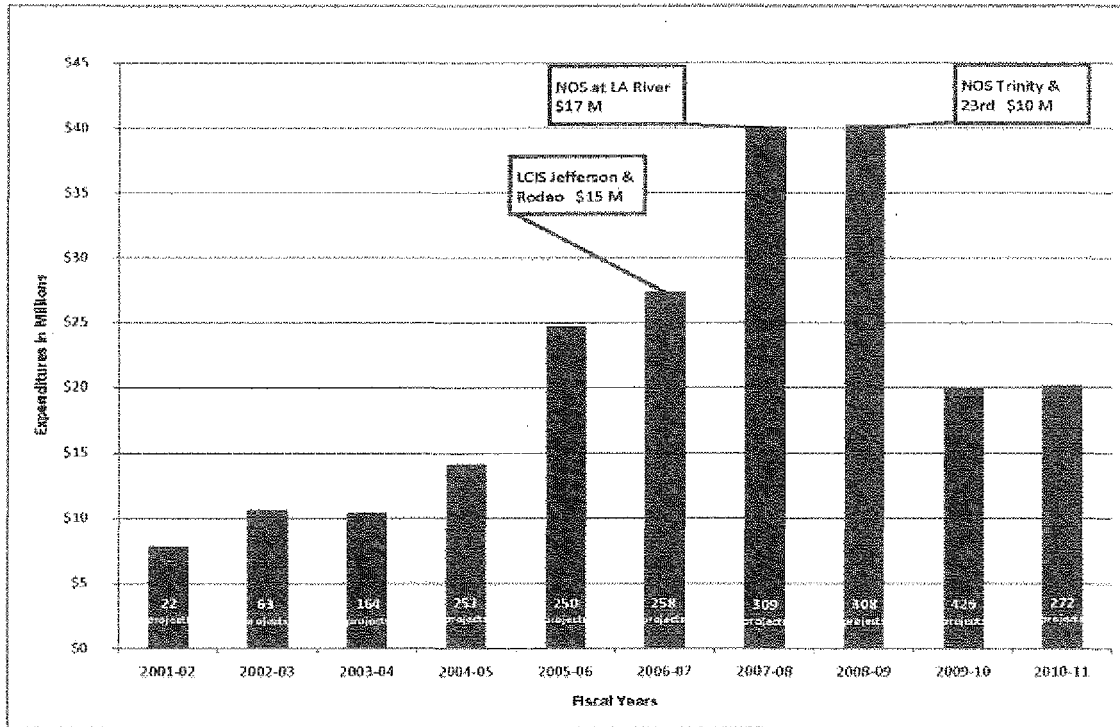
VIII. Major Emergency Projects in the CWP

If planned work is deferred due to a lack of funding, it is likely that more emergency failures will occur. These system emergencies increase costs to the CWP in a number of ways. First, emergency contractors may need to be mobilized and are typically paid on a time and materials basis, which is more expensive than if the project can be awarded to the lowest bidder. Second, there are frequently overtime costs associated with emergency work. Third, emergencies in the sewer system that impact private property may result in claims for damages. For large sewer collapses, it is estimated that emergency repairs can cost up to ten times the amount they would have as a bid and award project. The CWP has had several examples of this over the past five years:

- La Cienega Interceptor Sewer at Jefferson Boulevard and Rodeo Road, \$15 million
- North Outfall Sewer at the Los Angeles River, \$17 million
- North Outfall Sewer at Trinity and 23rd Street, \$10 million

If these rehabilitations had occurred as normal rehabilitation projects through the bid and award process, they would each have been in the \$1-2 million range. Figure 6 shows the recent history of emergency sewer repairs.

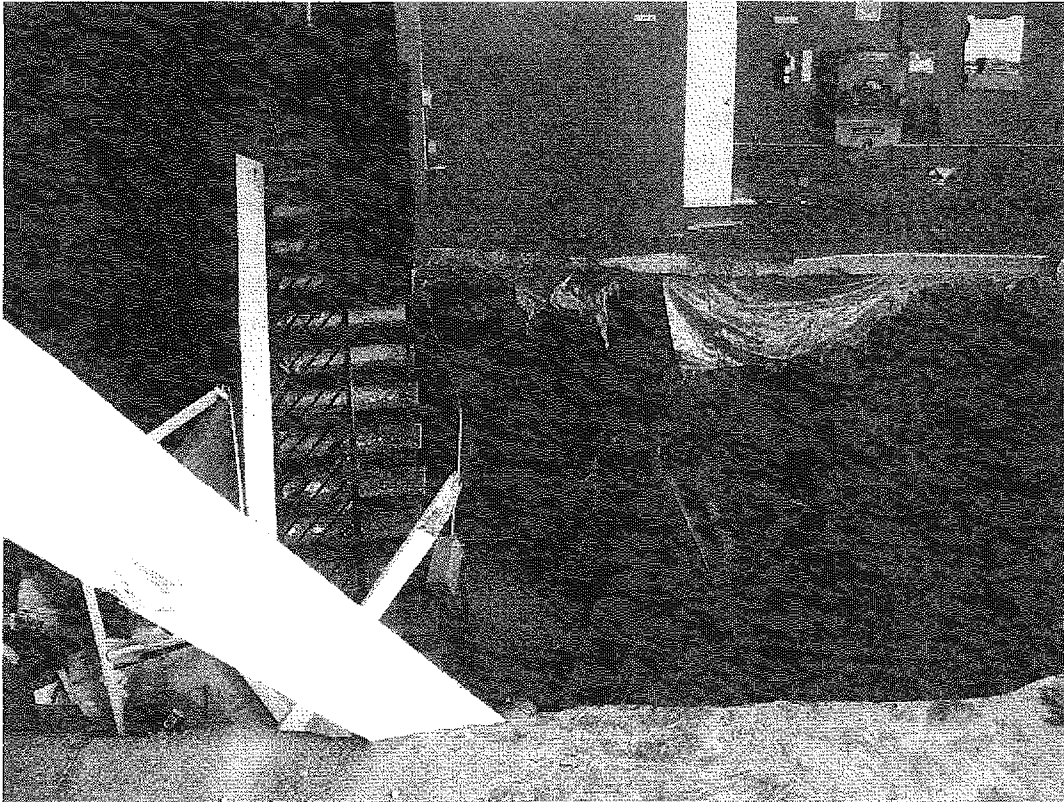
Figure 6: Emergency Sewer Repair Program



In addition to higher costs, emergency projects also result in more community impacts. When a bid and award project is being designed, great thought is given to locating excavations in the least impactful way. Traffic plans are prepared to maintain adequate traffic flow through the area. But when an emergency collapse occurs, public safety is paramount. Therefore, it may be necessary to close entire intersections or streets to stabilize the situation. In addition, emergency collapses typically result in odor complaints, community nuisances, potential beach closures, and bad publicity for the City.

While the effects of emergency projects described above are costly and inconvenient, the impacts are manageable. Far worse to contemplate is the potential for catastrophic failures that cannot be mitigated. System failures have the potential to result in environmental disasters, injury or loss of life. The failure of the HTP outfall would result in treated effluent being released right at the beach rather than five miles out. The failure of the Venice Pumping Plant force main would result in millions of gallons of raw sewage being released into the Santa Monica Bay. And worst of all, the failure of a large sewer under a street could result in significant injuries or deaths. Figure 7 shows the failure of a large sewer that collapsed under a building. Luckily no one was present at the time, so there were no injuries.

Figure 7: Collapse of the La Cienega Interceptor Sewer under a Building



IX. Summary of Public Outreach

BOS has been running an extensive outreach effort that will continue throughout the Proposition 218 notification period. Outreach efforts began in early May and have focused on the following groups:

- Business groups
- Community Groups
- Environment groups
- Neighborhood councils

Attachment B lists the various groups that have received presentations, are scheduled in upcoming weeks, or have been contacted. BOS has contacted all of the Council offices for additional outreach ideas and have made presentations to all of the suggested groups.

The focus of the outreach has been to provide a status of the existing wastewater infrastructure, discuss the risks creating by its age and condition, and present the proposed financial plan. Information has also been presented describing the rate adjustment approval process, including the Proposition 218 notifications public comment period, and public hearing. BOS has also been requesting feedback on the proposed loan program for sewer lateral rehabilitation and septic tank abandonments.

Letters of support and newspaper articles are included in Attachment C. Attachment D contains summaries of comments provided at the Energy and Environment Committee meetings on May 17 and August 2, 2011.

X. Summary of Next Steps

The revenue issues discussed in the three status reports have different approval timelines and processes. Table 14 below outlines approval processes to implement the recommendations in this section. While not all of the recommendations require the Proposition 218 process, it is recommended that all of the adjustments have the same effective date, as soon as possible after January 1, 2012. A summary of the projected activities and approval timeline for the proposed rate adjustments is shown in Table 15.

Table 14: Summary of the Next Steps

Recommendation	Current Council Action	Future Actions
Increase SSC annually for ten years	<ol style="list-style-type: none"> 1. Authorize BOS to print and distribute Prop 218 notices to all affected customers listing a public hearing date at least 45 days in the future. 2. Authorize BOS to begin outreach efforts to the neighborhood councils, community groups and other stakeholders of the CWP. 3. Direct City Attorney to finalize ordinance for approval after the public hearing. 	<ol style="list-style-type: none"> 1. BOS to issue Prop 218 notices. 2. BOS to perform outreach. 3. BOS to provide information to LAHD so they can determine if there will be any rent stabilization actions. 4. BOS to develop loan program based on stakeholder input. 5. Hold public hearing at City Council. 6. Publish ordinance.
Increase SSC by 0.5% for five years to fund customer loan program		
Authorize BOS to adjust the 90% discharge assumption for commercial properties based on water conservation measures		
Adjust the low income surcharge to fully fund the low income subsidy		
Adjust SSC of certain governmental agencies to include the capital component of the SSC, the same as all other customers		
Increase QSF annually for ten years		
Modify the Industrial Waste Fees for increased cost recovery	<ol style="list-style-type: none"> 1. Direct City Attorney to finalize ordinance for future approval. 	<ol style="list-style-type: none"> 1. Approve ordinance.
Modify the Septage Fees for full cost recovery	<ol style="list-style-type: none"> 1. Direct City Attorney to finalize ordinance for future approval. 	<ol style="list-style-type: none"> 1. Approve ordinance.
Modify Sewerage Facilities Charge	<ol style="list-style-type: none"> 1. Direct City Attorney to finalize ordinance for future approval. 	<ol style="list-style-type: none"> 1. Approve ordinance.
Aggressively pursue FEMA reimbursement for the Northridge Earthquake		
Pursue monetization of Kern County water assets		

Table 15: Projected Approval Timeline

Activity	Start	Finish
BOS submits report to Mayor & City Council		3/25/2011
N.C. and Stakeholder Outreach	5/2/2011	12/16/2011
Authorization for Prop 218 notification		
Consideration & Approval by Energy & Environment Committee	3/25/2011	9/13/2011
Consideration & Approval by City Council	9/14/2011	9/27/2011
Mayor's Concurrence	9/28/2011	10/4/2011
Print & Mail Prop 218 Notifications	10/5/2011	10/28/2011
Public Hearing @ City Council (45 days after notification)	12/13/2011	12/16/2011
Mayor's Concurrence	12/17/2011	12/22/2011
Post Ordinance	12/23/2011	12/23/2011
30 Days Public Review	12/24/2011	1/23/2012
Ordinance for all rate adjustments in effect	1/24/2012	

This was Table 20 in the March 2011 report.

Clean Water Program Capital Improvement Program

**CWP Projects that Require a
Rate Adjustment to Proceed**

Attachment A

	Category	Project	Council District	Construction Cost
1	CS	4TH AVENUE SLAUSON SWR REHAB	8	\$17,673,000
2	CS	74TH STREET SEWER REHAB	8, 9	\$17,867,943
3	CS	AIR SCRUBBER UNIT IMPROVEMENTS	1, 9, 10, 14	\$483,000
4	CS	ATF ECIS - MISSION & JESSE	5	\$14,975,000
5	CS	CIS RELIEF SWR	11	\$6,873,000
6	CS	COS 59TH ST AND FOURTH AVE	8	\$8,388,000
7	CS	COS REHAB MARKET ST TO RODEO	8	\$53,240,000
8	CS	CS WW CONTROL SYSTEM REPL	ALL	\$5,289,150
9	CS	DAR 01 HOLLYWOOD	4, 13	\$3,567,000
10	CS	ENTERPRISE ST SIPHON MOD	14	\$1,579,000
11	CS	FIGUEROA MERIDIAN YORK RLF SWR	1, 14	\$2,237,042
12	CS	GLENDALE-BURBANK IN SWR (GBIS)	2, 4	\$40,000,000
13	CS	LCIS REHAB BLACKWELDER MELROSE	5, 10	\$60,309,000
14	CS	LCIS REHAB JEFFERSON LA CIEN	10	\$6,100,000
15	CS	N HOLLYWD SEWER SAN MTCE YD	3, 4, 5, 13	\$10,605,000
16	CS	NEIS PH 2	1, 4, 13	\$344,700,000
17	CS	NORMANDIE REPL LCL 68-VERMONT	8	\$9,600,000
18	CS	NORMANDIE SWR REPL/REHAB	8, 9	\$14,607,000
19	CS	NOS MISSION & JESSE AIR CURT	14	\$88,100
20	CS	NOS REHAB PROGRAM	ALL	\$23,030,346
21	CS	NOS REHAB U-1 VAN NESS WESTERN	8	\$9,500,000
22	CS	NOS REHAB U-2 WESTERN TO VERMONT	8, 9	\$13,375,000
23	CS	NOS REHAB U-5 SAN PEDRO HOOPER	9	\$10,920,000
24	CS	NOS REHAB U-6 HOOPER WILSON	9, 14	\$16,300,000
25	CS	NOS REHAB U-7 WILSON LA RIVER	14	\$12,600,000
26	CS	ODOR CTRL ATWATER VILLAGE SWR	4, 13	\$777,000
27	CS	SSRP A04 AIRPORT & 78TH ST	11	\$269,000
28	CS	SSRP C01A CALIF & ABBOTT KINN	11	\$2,568,697
29	CS	SSRP C01B BILLOWVISTA & 83RD	11	\$1,210,830
30	CS	SSRP C03 VENICE & STEWART	11	\$2,730,900
31	CS	SSRP C08A PALISADES & SURFVIEW	11	\$421,200
32	CS	SSRP C08B TEMESCAL & PALISADES	11	\$1,807,200
33	CS	SSRP C08C OCEAN & TEMESCAL	11	\$1,538,300
34	CS	SSRP E11 HESBY ST. & RIVERTON	2, 4	\$246,354
35	CS	SSRP E35 GLENOAKS & MACLAY	7	\$352,000
36	CS	SSRP E39 BALBOA BL & VENTURA BL	2, 5, 6, 11, 12	\$3,052,000
37	CS	SSRP H03 SUNSET & RODEO	5	\$6,172,000
38	CS	SSRP H14 WILSHIRE & ORANGE	4, 5, 10	\$441,000
39	CS	SSRP H15 JUNE & WILSHIRE	4, 10	\$453,000
40	CS	SSRP H19 ARDEN BLVD & 3RD ST	4, 10	\$860,000
41	CS	SSRP H20 2ND & EDGEMOND	4, 10, 13	\$3,182,518
42	CS	SSRP H21 OLYMPIC & OXFORD	1, 10	\$455,698
43	CS	SSRP H23 VERMONT & OLYMPIC	1, 4, 10, 13	\$1,644,000

**CWP Projects that Require a
Rate Adjustment to Proceed**

Attachment A

	Category	Project	Council District	Construction Cost
44	CS	SSRP H24 SUNSET BL & RENO ST	4, 13	\$1,277,500
45	CS	SSRP H31	4	\$2,407,000
46	CS	SSRP H33 KENMORE & FOUNTAIN	4, 13	\$1,043,000
47	CS	SSRP N01 BUDLONG & LEIGHTON	8, 9	\$206,000
48	CS	SSRP N02 SAN PEDRO & 31ST	9	\$388,000
49	CS	SSRP N05 8TH & SOTO	14	\$2,730,000
50	CS	SSRP N12 PARK VIEW & BEVERLY	1, 13	\$2,482,578
51	CS	SSRP P09 GRIFFIN AVE & AVE 43	1	\$767,000
52	CS	SSRP P15 LEWIS & SAYLIN	1, 14	\$2,067,348
53	CS	SSRP P21A LOS FELIZ & REVERE	1, 4, 13	\$1,763,000
54	CS	SSRP P21B GLENDALE & ROWENA	1, 4, 13	\$1,555,000
55	CS	SSRP P21C LOS FELIZ & 5 FWY	1, 4, 13	\$3,152,000
56	CS	SSRP S05 10TH AV & 71 ST	8	\$774,000
57	CS	SSRP S06 VERMONT & 76TH ST	8, 9	\$3,298,000
58	CS	SSRP S12 59TH ST & MAIN ST	9	\$389,000
59	CS	SSRP T01 3RD & MESA	15	\$747,750
60	CS	SSRP T04 S ALMA & W 10TH ST	15	\$1,837,000
61	CS	SSRP T05 CHANNEL & GAFFEY ST	15	\$818,000
62	CS	SSRP T06A ANAHEIM ST & BROAD	15	\$2,232,000
63	CS	SSRP T06B FRIES & PIER A	15	\$1,628,000
64	CS	SSRP U01 MARINA FWY & WCH PKWY	10, 11	\$1,632,158
65	CS	SSRP U11 BUNDY & SAN VINCENTE	11	\$1,060,000
66	CS	SSRP U14 OVERLAND & 10 FWY	5, 11	\$1,886,000
67	CS	SSRP U16 SELBY & LA GRANGE	5	\$507,400
68	CS	SSRP U20 BEV GLEN & QUITO LN	5	\$1,131,000
69	CS	SSRP U21 GAYLEY & LE CONTE	5	\$3,317,754
70	CS	SSRP U23 DAVID & CANFIELD	5, 10	\$3,037,153
71	CS	SSRP W32 SERRANIA & DUMETZ	3	\$1,923,000
72	CS	SSRP Z13 MORAY & W 25TH	15	\$334,000
73	CS	UPPER BEACHWOOD EASEMNT MH ADD	4	\$997,000
74	CS	VERMONT AV SWR REPLC	8, 9	\$9,400,000
75	CS	VERMONT MANCHSTER SWR REHAB	8	\$5,600,000
76	CS	WASH GRIFFITH LB SWR REPLC	9	\$7,110,000
77	CS	WESTERN 35TH RLF SWR	8, 10	\$22,436,000
78	CS	WLAIS REHAB OVERLAND TO KELTON	11	\$4,000,000
79	DCT	DCT ELECTRICAL POWER SYS MODS	6	\$5,900,000
80	DCT	DCT ELECTRICAL VAULT REHAB	6	\$463,208
81	DCT	DCT EMERGENCY BACKUP POWER	6	\$7,938,374
82	DCT	DCT MAINTENANCE FACIL RELOC	6	\$30,000,000
83	DCT	DCT ODOR CNTRL SYS EVAL TEST	6	\$750,000
84	DCT	DCT PERSONNEL & MULTI-USE FAC	6	\$12,500,000
85	DCT	DCT SEC CLAR CRACK REHAB	6	\$95,000
86	DCT	DCT WW CONTROL SYSTEM REPL	6	\$14,824,612

**CWP Projects that Require a
Rate Adjustment to Proceed**

Attachment A

	Category	Project	Council District	Construction Cost
87	HTP	HTP 1 & 5 MILE OUTFALL REBAL	11	\$9,713,000
88	HTP	HTP AUX BOILER NO.2 REPL	11	\$3,374,077
89	HTP	HTP BALANCING MACHINE ENCL	11	\$81,365
90	HTP	HTP BOILER SYS EXPAN	11	\$10,630,291
91	HTP	HTP CENTR SCRUB CHEMIL SUPPLY	11	\$107,000
92	HTP	HTP COMP ROOM CLNG SYS UPGRD	11	\$2,274,450
93	HTP	HTP DEWATER CENTRFG & PUMP 7&8	11	\$20,890,000
94	HTP	HTP DICE II CENTRIFUGE REPL	11	\$17,800,000
95	HTP	HTP DIG CO-GEN FACILITY	11	\$115,000,000
96	HTP	HTP DIG GAS DESULF FAC IMPR	11	\$6,755,503
97	HTP	HTP DIG GAS FLARE REHB	11	\$1,881,305
98	HTP	HTP DIG OVEFLOW REOUT	11	\$367,462
99	HTP	HTP DIG SCREENING FAC IMPR	11	\$5,000,000
100	HTP	HTP DILUTE POLYMER PUMP IMPR	11	\$2,800,000
101	HTP	HTP EPP HEADER REPL	11	\$10,000,000
102	HTP	HTP GRIT HANDL IMPROV	11	\$10,870,000
103	HTP	HTP MODIF EDI CLARIFIER MOD 5	11	\$3,000
104	HTP	HTP ODOR CTRL HDWRKS SYS RPL	11	\$6,930,000
105	HTP	HTP PREG BUIL FIRST FL MODIF	11	\$2,186,000
106	HTP	HTP SCREENING HANDLING IMPR	11	\$4,960,000
107	HTP	HTP SERVICE WATER FAC UPG	11	\$4,500,000
108	HTP	HTP SOLIDS HNDL TRUCK LOAD FAC	11	\$70,000,000
109	HTP	HTP SUBSTATION SEPARATION	11	\$4,376,925
110	HTP	HTP TRK LDG FAC ODOR CTL MOD	11	\$7,200,000
111	HTP	HTP WW CONTROL SYSTEM REPL	11	\$35,664,733
112	LAG	LAG ELECTRICAL POWER SYS MODS	4	\$5,216,400
113	LAG	LAG NDN BLOW SYS ABB DCS PRO	4	\$1,149,801
114	LAG	LAG NDN BLOWER INSTALLATION	4	\$2,268,319
115	LAG	LAG NDN BLOWER PROCUREMENT	4	\$6,132,379
116	LAG	LAG SINKHOLE REHAB	4	\$95,000
117	LAG	LAG TERTIARY FILTER REPL	4	\$4,237,218
118	PP	VENICE PP DISCHARGE MANIFOLD REPL	11	\$3,577,000
119	PP	VENICE PP DUAL FORCE MAIN	11	\$52,585,000
120	PP	VENICE PP VIBRATION REHAB	11	\$612,000
121	SW	3200 SAN FERNANDO PROPERTY	13	\$12,905,650
122	SW	DOWNTOWN LA LOW FLOW DIVR SEP	9, 14	\$881,412
123	SW	ELC EXHIBITS AND MEDIA	11	\$2,250,000
124	SW	EMD LIMS REPLACEMENT	ALL	\$2,090,502
125	SW	EMPAC SYSTEM REPLACEMENT	ALL	\$1,349,791
126	SW	HUMBOLDT NGHBRHD SW GRNWAY SEP	1	\$3,366,155
127	SW	MANCHESTER NGHBRHD GRNWAY SEP	8	\$650,382
128	SW	N ATWATER CRK RESTORATION SEP	4	\$1,618,781
129	SW	SOUTH DISTRICT YARD IMPRV	8	\$11,692,000

**CWP Projects that Require a
Rate Adjustment to Proceed**

Attachment A

	Category	Project	Council District	Construction Cost
130	SW	SOUTH LA WETLANDS PARK SEP	9	\$2,955,000
131	SW	WISARD MIGRATION PROJECT	ALL	\$972,000
132	TIWRP	TIWRP AWTF MF MEMBRANE REPL	15	\$2,235,928
133	TIWRP	TIWRP AWTF RO MEMBRANE REPL	15	\$1,835,639
134	TIWRP	TIWRP BLENDER TANK RIM REHAB	15	\$459,287
135	TIWRP	TIWRP BLOWER CTRL SYS UPGRADE	15	\$600,000
136	TIWRP	TIWRP BLOWER REPLC	15	\$10,534,387
137	TIWRP	TIWRP CENTRIFUGE FEED PUMPS	15	\$118,000
138	TIWRP	TIWRP HEADWORKS IMPROVEMENTS	15	\$7,524,563
139	TIWRP	TIWRP HEADWORKS WALL REHAB	15	\$75,000
140	TIWRP	TIWRP HPE DISINFECTION	15	\$636,694
141	TIWRP	TIWRP TER FIL INF PUMP VFD RPL	15	\$1,067,850
142	TIWRP	TIWRP WW CONTROL SYSTEM REPL	15	\$11,211,121

Summary of Public Outreach

Summary of Public Outreach

Already Briefed (May 4-Sept. 9)	Date	Council District
Baldwin Neighborhood Homeowners' Association	24-May-11	8 & 10
Bel Air-Beverly Crest	25-May-11	5
Building Owners and Managers Association of Greater LA	18-May-11	All
Canoga Park	25-May-11	3 & 12
Central City Association of LA	27-Jul-11	1, 8, 9, 10, 13 & 14 ?
Central Hollywood	24-May-11	4 & 13
Central San Pedro	07-Jun-11	15
Century City Chamber of Commerce	01-Jun-11	5
Coastal San Pedro	16-May-11	15
Community & Neighbors for Ninth District Unity (CANNDU)	23-Jun-11	9
Community Advisory Council -9th District	14-Jun-11	9
East Hollywood	18-Jul-11	13
Empowerment Congress Central Area NDC	22-Aug-11	8
Empowerment Congress North Area NDC	01-Sep-11	8
Empwerment Congress Southwest Area NDC	15-Aug-11	8
Encino	24-Aug-11	5, 6 & 14
Granada Hills North	22-Aug-11	12
Greater Cypress Park	17-May-11	1 & 13
Greater Griffith Park	19-Jul-11	4 & 13
Green LA Coalition	27-Apr-11	All
Heal the Bay	20-Apr-11	11 & 15
Historic Highland Park	21-Jul-11	1 & 14
Hollywood United	18-Jul-11	4 & 13
Integrated Resources Plan for Water Annual Stakeholders Meeting	18-May-11	All
LA Business Council Legislative Committee	18-May-11	All
LA Chamber of Commerce Land Use Committee	13-Jul-11	All
LA Chamber of Commerce staff		All
Lake Balboa	04-May-11	6 & 12
Lincoln Heights	18-Aug-11	1 & 14
Los Angeles Neighborhood Councils Coalition	06-Aug-11	All
MacArthur Park	07-Sep-11	1 & 10
Mid Town North Hollywood	13-Jul-11	2 & 4
NC of Westchester-Playa	06-Jul-11	11
North Hills East	02-May-11	12
Northridge East	18-May-11	12
Northridge South	26-May-11	12
Northridge West	10-May-11	12
Northwest San Pedro	13-Jun-11	15
Olympic Park	01-Aug-11	4, 5
Pacific Palisades	08-Sep-11	11
P.I.C.O.	10-Aug-11	10

Summary of Public Outreach

Already Briefed (May 4-Sept. 9)	Date	Council District
Palms	06-Jul-11	5, 10 & 11
Rampart Village	19-Jul-11	1 & 10
Significant Industrial Users Workshop	19-May-11	All
Silver Lake	02-May-11	4 & 13
United Neighborhoods of Historic Arlington Heights, West Adams and Jefferson Park (UNNC)	02-Jun-11	10
Valley Industry & Commerce Association (VICA) Environment Committee	07-Jun-11	2, 3, 4, 5, 6, 7, & 12
Venice	25-May-11	11
VICA Government Affairs Committee	20-Jul-11	2, 3, 4, 5, 6, 7, & 12
West Adams	15-Aug-11	10
West Hills	04-May-11	3 & 12
West Los Angeles	27-Jul-11	5 & 11
Westside	09-Aug-11	5 & 11
Wilmington	22-Jun-11	15
Wilshire Center Koreatown	08-Aug-11	4, 10 & 13

Scheduled Meetings		
Atwater Village	Oct. ?	4 & 13
Central Alameda	Sept. 12	9
Empowerment Congress West Area NDC	Sept. ?	8 & 10
Foothills Trails District	Sept. ?	2 & 7
Glassell Park	Sept ?	1, 13 & 14
Greater Wilshire	14-Sep-11	4, 5 & 10
Historic Cultural Historic	Sept. ?	1, 9 & 14
Mission Hills	Oct?	7
NC Valley Village	21-Sep-11	2 & 5
North Hollywood Northeast	22-Sep-11	2 & 6
Pacoima	21-Sep-11	6 & 7
South Robertson	Sept. ?	5 & 10
Studio City	21-Sep-11	2, 4 & 5

Contacted
All groups provided by Council Offices
All NC's through DONE weekly e-blast
All NC's through direct e-mail

Letters of Support

Support – Letters and Articles

Article – Daily News by Kerry Cavanaugh C-1

Letter – Los Angeles Business Council C-3

Letter – LAX Coastal Area Chamber of Commerce C-5

Letter – Rampart Village Neighborhood Council C-6

Letter – Heal the Bay C-7

Letter – Green LA Coalition C-9

Article – San Fernando Valley Business Journal by
Valley Industry and Commerce Association C-10

Letter – Santa Monica Baykeeper C-11

Letter – Bay Restoration Foundation C-12

Article – Spouting Off by Mark Gold C-13

Letter – TreePeople C-16

Kerry Cavanaugh: Uncovering the dirty truth of sewer fee hikes

By Kerry Cavanaugh, Columnist

Posted: 05/25/2011 07:52:59 PM PDT

Updated: 05/25/2011 07:55:16 PM PDT

Surprise! Nobody wants to raise taxes or fees.

That was the informal vote of attendees at the Daily News' town hall with Mayor Antonio Villaraigosa on Monday.

During the event, a Sherman Oaks woman railed against the proposed sewer service charge increase, which she said would hit senior citizens like her especially hard because there hasn't been a cost-of-living increase in Social Security payments in two years.

Villaraigosa sympathized with her and other residents feeling the financial pinch and said he'd warned Bureau of Sanitation leaders, "They're going to have to show us that there is no other alternative, like cutting."

We've heard that one before (water and power rate increases, stormwater fees, trash charges.) But this time, it may be hard to say no.

Sewers are one of those unseen but absolutely essential pieces of city infrastructure that demand consistent attention and funding. Los Angeles fell behind on sewer upgrades in the 1990s, leading to regular spills of raw sewage into basements and onto streets and beaches.

Environmental groups sued and the city eventually agreed to make \$2 billion worth of sewer upgrades by 2014. To start paying for repairs, the mayor and City Council enacted five, 7 percent sewer service charge increases, starting in 2005.

Interestingly, there wasn't a peep from the public about the sewer rate increase.

The most recent sewer increase was in January 2009. Then the Bureau of Sanitation decided to delay the next round of sewer fee hikes for a year or so with the hope that the economy would improve. That didn't exactly happen.

Now, Sanitation wants to roll out 10 years of sewer service charge increases, starting January 2012. The annual increases, ranging from 4.5 percent to 7.5 percent would take the typical single family home bill from \$30 a month to \$58 a month in 2020.

It's hard not to empathize with the Sherman Oaks woman who bemoaned higher sewer charges, when residents are already struggling with pricier gas, utility and food expenses. But infrastructure - like home maintenance - only gets more expensive the longer you postpone work.

Thirty percent of the city sewers are past their useful 80-year life. A sewer failure near the 110 Freeway and the L.A. River a few years ago cost \$17 million to handle. Regularly scheduled maintenance that might have prevented the failure would have cost \$2 million.

"We have to invest. Otherwise we will pay 10 times more in penalties and failures," said Adel Hagekhalil, assistant director of Sanitation. "We don't want to go back to what we saw in 1998 where we had sewage back up in front of schools in South L.A."

No, we don't.

Kerry Cavanaugh is an editorial writer and columnist for the Los Angeles Daily News. She can be reached at kerry.cavanaugh@dailynews.com.



June 20, 2011

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American Value Partners
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Los Angeles Business Council

Honorable Jan Perry
President pro Tempore, LA City Council
Chair, Energy and Environment Committee
200 N. Spring Street, Room 420
Los Angeles, CA 90012

Re: Clean Water (Wastewater) Program Rate Proposal, CF 10-1947

Chairman's Circle

Alan J. Abscher, Greenberg Traurig
Celeste Altman, Haworth
Leo Bandini, Hensel Phelps Construction Co.
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John Goodwin, Westfield Group
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Arno Harris, Recurrent Energy
Daniel Howard, Lodgen, Lacher, Golditch, Sardi
Saunders & Howard
Deborah Kalick, Cedars-Sinai Health System
John Klein, Equinox
Joanne Krzberg, California Strategies
James Krug, Falcon Waterfree Technologies
Janet Lamkin, Bank of America
Antonio Manning, J.P. Morgan Chase
Mike Massey, National ITC Corporation
Gregory P. Medeiros, Centennial Founders, LLC
Guy Mehula, Parsons
Andy Meyers, Shangri-La
George Milstein, Latham & Watkins
Jerry Porter, CrescoPartners
Commissioner Joe Ramallo, LA Dept. of Water & Power
Kevin Ratner, Forest City
Daymond Riza, Vons
Michael Rosenfeld, Next Century Associates, LLC
David C. Sears, J.P. Morgan Investment Mgmt., Inc.
Carmi Sella, Wells Fargo Bank
Sarah Shaw, JMB Realty Corporation
Patti Shwyder, AIMCO
John Semcken, III, Majestic Realty Co.
Howard Sunkin, Los Angeles Dodgers
Loi Tierney, Unisource Solutions
Steve Velkel, SHR Denton US LLP
Greg Vilkin, MacFarlane Partners
Nadine Watt, Watt Companies
Mike Whatley, SunPower

Dear Councilwoman Perry,

The Los Angeles Business Council (LABC) has had an opportunity to review the proposed Clean Water Program rate proposal and discuss the issue with representatives from the Bureau of Sanitation. We would like to inform you of our support for this proposal.

The members of the LABC recognize the need for a well-functioning wastewater collection and treatment system to help drive a strong economy. This investment that will be funded from the future rates will help ensure that the sewer connection moratoriums, which were a barrier to businesses in the past, will not return. We also appreciate the Bureau providing a ten-year proposal so we can see the long-term investment in the infrastructure, rather than having it revealed in a piecemeal fashion. This will assist our members in planning for the future.

Thank you.

Sincerely,

Mary Leslie

President, LABC

Cc: Honorable Tony Cardenas, LA City Councilman
Honorable Richard Alarcon, LA City Councilman
Honorable Paul Koretz, LA City Councilman
Honorable Paul Krekorian, LA City Councilman
Enrique C. Zaldivar, Director, Bureau of Sanitation, City of Los Angeles
Adel H. Hagekhalil, Assistant Director, Bureau of Sanitation, City of Los Angeles



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Los Angeles, CA 90045
310.645.5151 tel • 310.645.0130 fax
www.laxcoastal.com

June 28, 2011

Honorable Jan Perry
Chair, Energy and Environment Committee
200 N. Spring Street, Room 420
Los Angeles, CA 90012

Re: Clean Water (Wastewater) Program Rate Proposal, CF 10-1947

Dear Councilwoman Perry:

On behalf of the LAX Coastal Area Chamber of Commerce, representing over 550 businesses and over 25,000 area jobs, I am writing to show our support for the Clean Water (Wastewater) Program Rate Proposal, CF 10-1947. This program is vital for the creation of a well-functioning wastewater collection and treatment system, which is long overdue.

This investment, which will be funded from the future rates, will help ensure that the sewer connection moratoriums, which served as a barrier to businesses in the past, will not return. The ten year proposal is a long-term investment in the infrastructure of our City and not a piece-meal, short-term plan.

We must continue to invest in our aging infrastructure. This program is a positive step towards keeping our communities/beaches protected, creating more green jobs and better serving our Angelenos.

Sincerely,

A handwritten signature in black ink that reads 'Kathryn Woodley'.

Kathryn Woodley
Chairman of the Board

Cc: C. Zaldivar, Director, Bureau of Sanitation
Adel H. Hagekhalil, Assistant Director, Bureau of Sanitation



Follow LAX Coastal Area Chamber of Commerce on Facebook

CITY OF LOS ANGELES

CALIFORNIA



Rampart
Village
neighborhood council

**RAMPART VILLAGE
NEIGHBORHOOD COUNCIL**

RVNC Office at St. Anne's
Suite #236
155 N. Occidental Blvd., Los Angeles, CA 90026
(Cross streets: Beverly Blvd. and Temple St.)
TELEPHONE: (213) 785-2001
FAX: (213) 785-2001
www.rvnc.org
www.EmpowerLA.org

RAMPART VILLAGE NEIGHBORHOOD COUNCIL

July 19, 2011

Honorable Jan Perry
Chair, Energy and Environment Committee
200 N. Spring Street, Room 420
Los Angeles, CA 90012

Clean Water (Wastewater) Program Rate Proposal, CF 10-1947

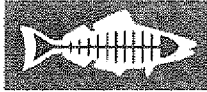
The Bureau of Sanitation recently made a presentation to the Rampart Village Neighborhood Council on the proposed Clean Water Program rate proposal. We would like to inform you of our support for this proposal.

The members of the RVNC recognize the need for a well-functioning wastewater collection and treatment system to help protect public health and the environment and drive a strong economy. This investment that will be funded from the future rates will help ensure that the sewer overflows that were too common ten years ago will not return. We also appreciate the Bureau providing a ten-year proposal so we can see the long-term investment in the infrastructure, rather than having it revealed in a piecemeal fashion. This will assist our members in planning for the future. We understand that having adopted rate increases for a longer period of time allows the annual increases to be smaller.

Julie Pasos

RVNC Executive Secretary

C: Enrique C. Zaldivar
Bureau of Sanitation
1149 S. Broadway, Suite 900
Los Angeles, CA 90015



Heal the Bay

1444 9th Street
Santa Monica CA 90401

ph 310 451 1500
fax 310 496 1902

info@healthebay.org
www.healthebay.org

August 5, 2011

Chair Jan Perry and Committee Members
Energy and Environment Committee
200 N. Spring Street, Rm 420
Los Angeles, 90012
Via fax: (213) 473-5946

Re: Support of City of Los Angeles Cleanwater (Wastewater) Program Rate Adjustment

Dear Chair Perry and Committee Members:

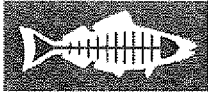
On behalf of Heal the Bay and our over 12,000 members, I write in strong support of the proposed sewer service charge rate increase. Twenty-six years ago, Heal the Bay was founded upon the issue of decaying wastewater infrastructure in the city and we have closely followed wastewater issues in the city ever since.

After many years of rebuilding Hyperion and other wastewater treatment plants, and replacing sewer lines that were well beyond their safe useful life, the City went from one of the poorest systems with more than two sewage spills a day to one of the most reliable major systems in the country. The Bureau of Sanitation has transformed the sewer system to a reliable, well-managed infrastructure.

Unfortunately, the last few years of belt tightening to spare ratepayer fee increases have come at a cost. We do not want to return to the days of decaying infrastructure and threats to public health. Infrastructure repair capital projects must continue to be a priority for the city.

Heal the Bay has analyzed the list of proposed wastewater projects, and they are all basic needs to keep the sewer system functioning efficiently and safely. Even with the fee increases, the sewer service charges will put the city near the average of sewer service charges for major US cities.

Of note, although the sewer service charge cannot fund rainwater capture and water recycling projects - an overwhelming water quality and water supply reliability need for LA, the Committee should continue to explore ways to fund elements of the Integrated Resources Plan.



Heal the Bay

1444 9th Street
Santa Monica CA 90401

ph 310 451 1500
fax 310 496 1902

info@healthebay.org
www.healthebay.org

In conclusion, Heal the Bay strongly supports the proposed sewer service charge in order to upgrade, operate and maintain sewer infrastructure to protect public health and the environment. We urge the Committee to move forward this item to Council as soon as possible.

Sincerely,

A handwritten signature in cursive script that reads "Mark Gold".

Mark Gold, D. Env
President

cc: Adel Hagekhalil



August 5, 2011

Councilmember Jan Perry
Chair, Energy & Environment Committee
Los Angeles City Council
200 North Spring Street, Room 420
Los Angeles, CA 90012

By Fax: 213-473-5946

RE: Support Increased fees for Clean Water (Wastewater) Program

Dear Councilmember Perry,

I write on behalf of the Green LA Coalition Urban Ecosystems Work Group, which includes: TreePeople, So CA Watershed Council, The River Project, Heal the Bay, Food & Water Watch, City Vida and others. We agree it is critical to raise revenues for the City's clean water and water management goals.

When I testified before this committee in May, Green LA's concern with the sewer fees increase was that the public was also to be asked to weigh in on increasing their DWP bill and later to vote on a County parcel tax for stormwater abatement. We were concerned that residents would be fatigued and confused. We asked that the City create a clear and coordinated message to explain why all these water-related revenue requests are necessary. We had several conversations with General Manager Enrique Zaldivar and General Manager Ron Nichols and their staff. Both departments agreed that better integrated messaging was necessary but difficult.

We ask that the Los Angeles City Council help improve the actual integration between wastewater and stormwater programs. We need seamless policies and laws that eliminates any contradictions between wastewater and stormwater goals and enable city departments to better coordinate projects to achieve cost efficiencies.

In closing, the City of Los Angeles must adequately invest in maintaining our sewer infrastructure to meet all of our water management and supply goals. We urge you to support the Bureau of Sanitation's request to increase Clean Water Program fees. Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Taylor".

Stephanie Taylor
Managing Director

CC: Adel Hagekhalil

L.A.'s Aging Sewers Are in Need of Repair

The Valley Industry and Commerce Association (VICA) seldom has the opportunity to commend the City of Los Angeles for operating in an efficient and effective manner. Far too often we have pointed out that the city is wasting money through poor fiscal management, lack of oversight or simply failing to capitalize on uncollected debt. In fact, we have dedicated column after column to outrageous examples of ineffective city operations.

This is why, when a city department finally got it right, VICA had to jump on board and support a practical and thoughtful plan to restore and repair the city's sewer system. The Bureau of Sanitation's 10-Year Financial Plan for L.A. Wastewater Infrastructure proactively undertakes the daunting task of ensuring the

city maintains a safe and healthy sewer system.

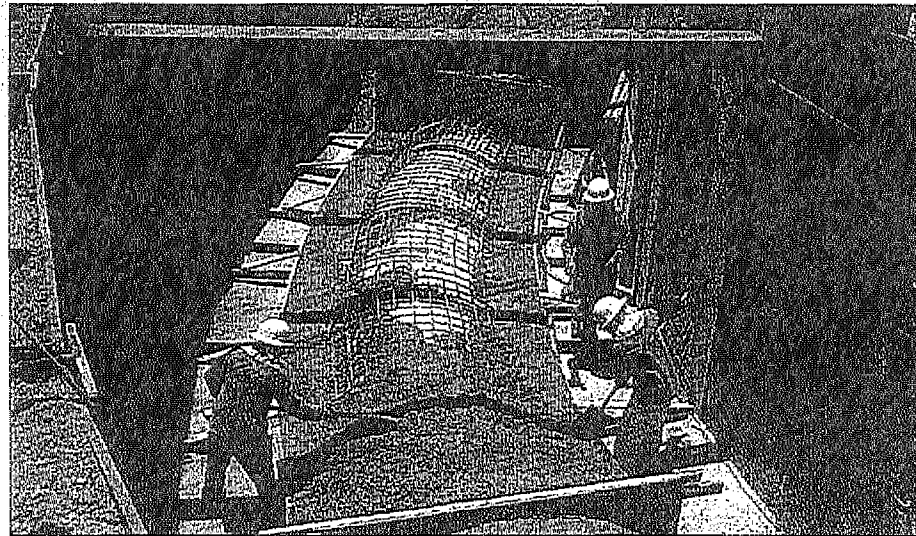
We all

remember the devastating damage that was caused when aging water pipes

began erupting across the city. Now just imagine if that was not water flooding our neighborhoods, but gallons of raw sewage. That is a sight (and smell) that should be avoided at all costs. The 10-Year Financial Plan for L.A. Wastewater Infrastructure is the way to prevent such a catastrophe.

The average lifespan of a sewer line is about 80 years. Within Los Angeles's 6,700 miles of sewers, about 20 percent of the lines are octogenarians or beyond. Additionally, 50 percent are more than 70 years old, meaning they will be due for repairs within the next decade.

Currently, the Bureau of Sanitation has 50 projects underway to repair aging sewer lines and build new ones. The department's proactive approach to managing the city's sewer



Infrastructure: City making investment to replace aging sewer pipes.

resulted in an 80 percent reduction in sewage spills since 2000.

In order to keep up with the repairs needed to maintain city sewers, the Bureau of Sanitation must raise its rates. The current budget only allows for infrastructure replacement and repair once every 168 years, more than twice the lifetime of an average sewer line.

Already a lean department, cuts are no longer an option. Staffing for the Bureau of Sanitation has been cut by 15 percent in the past three years and operating costs were slashed by \$27 million over the last two years with the installation of automated systems.

There is simply nothing else to cut in order to free up the additional funds that are required to keep up with construction obligations. This is why the infrastructure improvement plan includes unavoidable rate increases.

Each family in Los Angeles will see their sewer rates rise about \$34 per year for each of the next 10 years, just slightly under \$3 per month. If approved, the proposed rate increases

will go into effect January 1, 2012. This is a small investment now that will prevent far costlier repairs and dangerous public health risks in the future.

As business people, we all understand the need to make smart investments that will prevent additional costs down the road. Keeping up with the maintenance of our sewer system is in the best interest of everyone who lives, works and owns a business in Los Angeles.

The Bureau of Sanitation is acting responsibly by taking the necessary measures to get ahead of potential problems. The business community should reward those efforts by getting behind the smart and essential 10-Year Financial Plan for L.A. Wastewater Infrastructure.

Do you think sewer repairs are important enough to merit the rate increases? Email your responses or thoughts about the Column to angela@vica.com.

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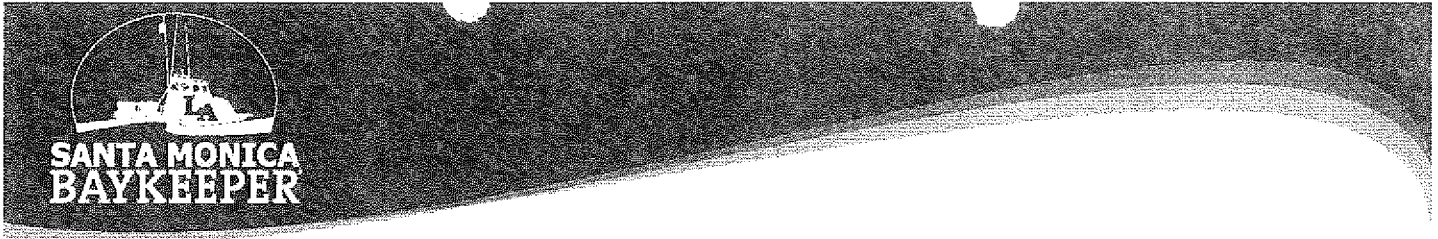
CONTRIBUTING COLUMNISTS

Martin M. Cooper *Our Changing Valley*
Brendan Huffman *Capitol Offenses*

PHOTOGRAPHER

David Sprague

ADVERTISING SALES MANAGER



September 2, 2011

Honorable Jan Perry
Chair, Energy and Environment Committee
Los Angeles City Council
200 N. Spring Street, Room 420
Los Angeles, CA 90012

RE: Support of the Clean Water (Wastewater) Program Rate Proposal, CF 10-1947

As a community based environmental non-profit organization that works to protect and restore our water and the quality of life in communities throughout Los Angeles, Santa Monica Baykeeper is in full support of the City's Clean Water Program Rate Proposal. The proposed 10-year financial plan and rate proposal provides the minimum funding level necessary to ensure that Los Angeles continues to maintain a citywide collection and treatment system that protects public health and the environment.

In 1998, the City's sewer system experienced sewer overflows in Los Angeles communities on the average of 2 spills per day. Children and families suffered from common occurrences of sewer overflows caused by a lack of maintenance, upgrade and investment. Sewer odors backed up into homes and businesses impacting people's lives. Our waterways and beaches were also impacted as we experienced large numbers of beach closures and elevated levels of bacteria. After Santa Monica Baykeeper sued the City in 1998 for pollution in LA waterways, the City entered into a settlement agreement with the federal government, the state, local community groups in south LA and Baykeeper to enhance the maintenance and upgrade of the City's aging sewer system.

Since then, the City and its Bureau of Sanitation have done an excellent job maintaining and upgrading the sewer system, resulting in an over 83% reduction in overflows and a significant improvement in water quality in Los Angeles. We applaud and commend the City of Los Angeles and the Bureau of Sanitation for its efforts and the excellent results. However, we all need to recognize that more needs to be done and we cannot allow or afford to go back to the conditions we had in 1998.

A well-functioning wastewater collection and treatment system that protects public health and the environment is imperative to a strong city and economy. The wastewater system is getting older every day. Unless we properly operate and upgrade our aging system, our communities will be exposed to increased risk for breaks, spills and odors. We must invest proactively in our essential wastewater facilities.

We ask you to approve the Clean Water Program rate proposal. We should invest money in our system now to prevent severe public health and environmental problems later. It is the right thing to do to provide our communities a safer and cleaner place to live.

Sincerely,

Liz Crosson
Executive Director



bay restoration foundation

STEWARDS OF SANTA MONICA BAY

santa monica bay restoration foundation / 320 west 4th street, ste 200; los angeles, california 90013
213/576-6615 phone / 213/576-6646 fax / santamonica.org

September 6, 2011

Enrique Zaldivar
Bureau of Sanitation - City of Los Angeles
1149 South Broadway, 9th Floor
Los Angeles, CA 90015

Re: Support for Clean Water Program

Dear Enrique:

The Santa Monica Bay Restoration Foundation (SMBRF) supports the proposed rate increases described in the March 24, 2011 STATUS REPORT – CLEANWATER (WASTEWATER) PROGRAM. The SMBRF implements a Bay Restoration Plan that will “improve water quality, conserve and rehabilitate natural resources and protect the [Santa Monica] Bay’s values.” The proposed actions and their related costs described in the *Cleanwater Program* will maintain the performance of systems that have directly and indirectly aided our mission.

Efforts to maintain, repair and improve the City of Los Angeles’ sewer collection system and wastewater treatment have resulted in a 400% reduction of sewer spills in the past ten years.¹ Improvements to the Hyperion Wastewater Treatment Plant have resulted in a 90% reduction in suspended solids discharged to the Bay².

These actions have helped reduce beach closures, improve beach water quality, and create a better quality of life for residents and neighborhoods affected by spills. Billions of dollars have been committed to this system in the past. These investments should be maintained as proposed in the STATUS REPORT – CLEANWATER PROGRAM.

Thank you for the opportunity to comment on this important issue; if you have any questions please do not hesitate to ask.

Sincerely,

Shelley Luce, D.Env.
Executive Director

¹ State of the Bay Report 2010, pg. 6 Figure 2-4 (a) and (b). Santa Monica Bay Restoration Commission. Sources: CLA EMD, Los Angeles County Department of Health Services and National Weather Service.

² State of the Bay Report 2010, pg. 4; Santa Monica Bay Restoration Commission

our mission: to restore and enhance the santa monica bay through actions and partnerships that improve water quality, conserve and rehabilitate natural resources, and protect the bay’s benefits and values



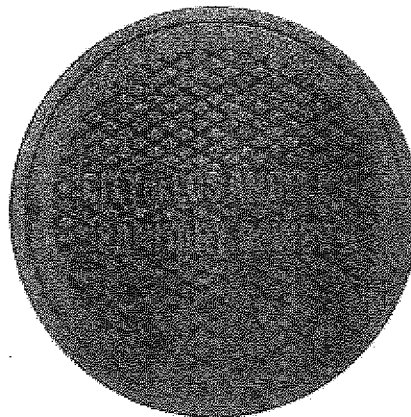


Go With The Flow

Posted on September 7, 2011 by spoutingoff

Transparency has cost the Bureau of Sanitation.

About six months ago, the city of Los Angeles' Bureau of Sanitation (BoS) started setting up dozens of meetings with the public and the environmental community on the city's wastewater system upgrade plan and the need for a major increase in sewer service charges. After all, the BoS had frozen fee increases 14 out of the last 20 years. And it's held the line the last three years at height of the recession, but wastewater infrastructure waits for no one.



BoS sought to demonstrate that the sewer infrastructure and its four sewage treatment plants (Terminal Island, Glendale, Tillman and Hyperion) are in danger of falling apart. The deteriorating pipes and plants pose a significant risk to public health and safety. Emergency repairs on the infrastructure may cost the city infinitely more than replacing it. The delayed maintenance also exposes the city to costly litigation, enforcement and penalties.

Heal the Bay was founded in 1985 on the issue of decaying sewer infrastructure. Some Santa Monica Bay bottom-dwelling fish had tumors and fin rot, and there was a dead zone seven miles out in the middle of the Bay where Hyperion dumped its 1200+ tons of sludge every day. Also, million gallon sewage spills were commonplace.

After the city rebuilt Hyperion and major sections of the sewer infrastructure, the dead zone went away, the massive sewage spills decreased in frequency, and the Bay began to heal.

However, in the late 1990s, the frequency of sewage spills started to rise again. Then Santa Monica Baykeeper sued the city and the end result was an agreement to repair and replace much more of the sewer infrastructure. Just as important, the city ramped up its sewer inspection and repair program. The end result was a more than 80% drop in sewage spills. The days of students walking through raw sewage-filled streets on their way to school were a thing of the past.

Today, the BoS has proven to be a model agency when it comes to transparency, public engagement, fiscal management and infrastructure planning.

It is the lead agency that embraced stakeholder and community engagement for more than 10 years as part of the city's award-winning Water Integrated Resources Plan (IRP) and watershed-based, water quality compliance planning efforts. Also, the National Association of Cleanwater Agencies just bequeathed the BoS with its National Excellence in Management Award for its effective utility management practices.

Due to the recession, the city slowed its sewer capital improvement program – not only those improvements required as part of the Baykeeper settlement, but also the basic sewage treatment replacement projects needed for the city's four sewage treatment plants to efficiently function. The city's sewer service charges, in the bottom third of all rates for large cities across the nation, were just too low to keep L.A.'s sewer infrastructure functioning at a high level.

Cuts in total personnel, projects and maintenance are at the point that the consequences of increased sewage spills and dysfunctional sewage treatment plants are sure to increase to unacceptable levels once again. We've seen L.A. on this path and it isn't pretty or protective of public health and the aquatic environment.

I've sat through four presentations from BoS leaders on the need for sewer service charge increases. They made a compelling case for 10 years of 7% increases; a major increase to be sure, but a rate that was backed up by a list of approximately 150 basic sewer infrastructure and treatment plant improvements.

Believe me, BoS staff is willing to spend the time to go over the importance and cost estimates on nearly every one of the 150 projects. Much to the environmental community's dismay, the rate increase did not include upgrading Tillman and Glendale to microfiltration and reverse osmosis to finally move the city into the 21st century on water recycling.

Nor did the rate increases include stormwater capture projects – so essential to reducing L.A.'s runoff pollution, improving flood control, and augmenting local groundwater supplies. Unfortunately, water supply improvements strictly fall under the purview of LADWP, and its rate increase efforts have been delayed to 2012 at the earliest. So the end result is that the proposed sewer service charge increases are just for basic infrastructure repair and upgrades.

Despite the BoS focus on the basics, some members of the public and city council expressed concern about the size of the increases especially in the first few years. The BoS listened to the community and have adjusted the proposed rates especially in the first three years. Also, the rate increases are no longer 7% every year. The rate increases are now proposed at 4.5% in the first three years, and 6.5% for the additional seven years. At the end of the rate increases, L.A. still won't be in the top third of sewer service charges for major cities nationally.

Despite these changes and a continued willingness to meet with the public, the anti-tax crowd is attempting to blow up the rate increase plan.

They've even gone so far as accusing the BoS of following the LADWP rate increase approach, a ludicrous accusation in light of the fact that the BoS started meeting with the public a full three months before LADWP and has been engaged with the community as part of the IRP for over 11 years.

Also, unlike LADWP, the BoS provided the public and city council with a thorough accounting of the sewer system needs, including the list of projects, estimated costs, and approximate

timelines for completion. In short, the BoS provided the public with exactly the sort of transparency for which we've all been clamoring.

No one says that you have to like or support the proposed sewer service charge increase, but please give credit where credit is due: The BoS has provided the public and city council with transparency on how nearly all of the sewer service charge fee increases will be used.

Its leaders have made a compelling argument that we don't want to return to the days of sewage on the streets and frequent beach closures.

Make no mistake, the proposed sewer service charge increases were reduced due to public and political pressure, not due to reduced sewer infrastructure needs. Infrastructure doesn't come cheap, but the cost of replacing failed infrastructure is a heck of a lot more expensive, and it comes at the expense of human health and aquatic life. The city council needs to act now to increase the sewer service charges so we never return to the 1980s and 1990s.



September 8, 2011

Honorable Jan Perry
Chair, Energy and Environment Committee
200 N. Spring Street, Room 420
Los Angeles, CA 90012

RE: Clean Water (Wastewater) Program Rate Proposal, CF 10-1947

Dear Councilwoman Perry,

TreePeople has had an opportunity to review the proposed Clean Water Program rate proposal and discuss the issue with the Bureau of Sanitation. We would like to inform you of our support for this proposal.

TreePeople recognizes the need for a well-functioning wastewater collection and treatment system to help protect public health and the environment and drive a strong economy. This investment that will be funded from the future rates will help ensure that the sewer overflows that were too common ten years ago will not return. This is critical. We also realize that the investment in our infrastructure will provided needed jobs for our community.

Sincerely,

A handwritten signature in cursive script that reads "Deborah Weinstein".

Deborah Weinstein
Senior Manager
TreePeople

Transcripts of Public Comments from Energy and Environment Committee Meetings

 Transcripts of Public Comments from Energy and Environment Committee Meetings

Several speakers presented public comments during the May 17 and August 2, 2011 Energy and Environment meetings in support of the proposed rate adjustments. This attachment provides a summary of the comments or indicates that the speaker submitted a support letter (included in Attachment C).

May 17, 2011

Speakers:

Mark Gold, Heal the Bay – submitted support letter
Stephanie Taylor, Green LA Coalition– submitted support letter
Lewis MacAdams Founder/President, Friends of the LA River
Jason Schmidt, National Urban Systems, TreePeople
Sam Unger, Executive Officer, California Regional Water Quality Control Board
Tatiana K. Garr, Staff Attorney, Santa Monica Baykeeper

- **Lewis MacAdams** disagrees that the water is “wastewater”, LA River is a clean, high-quality water source, supporting an increasingly rich ecology. Fishing safe, fish can be eaten. Reflects on the success of the wastewater retention/recycling, still beginning system. Advocating return of the steel head trout to the river. Last seen when river paving began. Hoping it will be back by 2020. Looking to partner with BOS to make it happen.
- **Jason Schmidt** fully supports BOS’ request for sewer fee increase. Clean water, safe and healthy infrastructure needed. Supports Heal the Bay suggestion the City/BOS look at a more integrated approach towards water resources. The multiple benefits of a comprehensive ecosystem management system; stormwater, wastewater, water supply. Coming months: calls for increases in all areas. Wants to support City/County in our integrated approach.
- **Sam Unger** responded to TC that the RWQCB is one of the fine issuing agencies, but he wasn’t here for that. The RWQCB acknowledged the City’s commitment to clean water and the City’s progress towards such; reduction of bay sludge, algae levels; secondary treatments at plants, nitrification/de-nitrification, etc. City beaches have gone from “F” to “A+” with Heal the Bay’s report card. Reduction in sewer spills. Restoration of treatment parts/pipes beneficial to City’s vision for sustainability and healthy environment. City is under NPDE permits for treatment plants,, state permits for collection system. City subject to fines, 3rd party lawsuits, sanctions, etc. if not adhering to laws compliance with permits and discharge levels, plant compliancy. City/State has developed a good relationship over the past 10 years due to City’s compliancy. **Councilmember Cardenas** complimented the speaker. **Sam Unger** complimented BOS staff, stating, “...world-class staff in terms of sanitary engineering and sewer engineering, and they’ve really brought you a great system, and with many improvements over the last 10 years.”
- **Tatiana Garr** supports proposed rate increase. Santa Monica Baykeeper was one of the original plaintiffs on “sewerage-gate”. In the 6-7 years since settlement agreement and consent decree have developed really great relationship with BOS staff. Seen amazing improvement – 80% reduction in sewer spills, viewing numbers from one. Rate increase will serve not only consent

 Transcripts of Public Comments from Energy and Environment Committee Meetings

decrease/goals/milestones, but will also serve as future model. Feels increase necessary to achieve remaining goals.

August 2, 2011

Speakers:

Kirsten James (KJ), Water Quality Director, Heal the Bay – submitted support letter
Stephanie Taylor, Green LA Coalition – submitted support letter
Sam Unger, Executive Officer, California Regional Water Quality Control Board
Tom Ford, Marine Programs Director, Santa Monica Bay Restoration Committee
Doug Arseneault, Valley Industry and Commerce Association
Simboa Wright, SEIU 721/Resident/BOS Employee
Dr. C.T. Williams, LA-32 Neighborhood Council
Mimi Soto, SEIU 721/Resident

- **Sam Unger** – In favor of motion. Has worked with City staff for years. Was involved in collection systems settlement agreement for State. Cites incredible improvements to sewer infrastructure, great reduction in spills, improvement to quality of life. Infrastructure needs to be maintained. Too much already invested over last 10 years. Other projects need to be associated to comply with newer regulations. Motion is well timed to maintain investment.
- **Tom Ford** – City's contributions (BOS, BOE, ConAd) recognized as having discreet, direct benefits of bay's health. 90% reduction of suspended solids. Reduction in number of beach closures, benefiting tourism industry, marine life. Previously with Santa Monica Baykeepers. Very impressed and supports fully ECZ, AH, Ali Poosti and field staff for their capacity, ingenuity, confidence, and planning. States, "BOS is acting in a fiscal and foresightful manner, doing more with less...acting with appropriate discretion to protect our environment, economy, and to best assure compliance with regulations in front of them."
- **Doug Arseneault** supports BOS. "While the increase will impact residents and business budgets, deterioration of the system will be of significantly greater costs to Angelenos...We applaud the Bureau for taking appropriate steps to reduce operating costs and increase efficiency before calling upon its customers to offset costs...appreciate that the Bureau has assessed a 10-yr. financial plan as to assure that the SSC rates are not raised all at once and have involved stakeholders in the process...Despite the short-term consequences...reasonable and timely renovations to our wastewater infrastructure will be beneficial to the City in the long-term, environmentally and financially."
- **Simboa Wright** – "We as employees are very dedicated to continuing to keep the #1 service in California. We are the best in California."
- **Dr. C.T. Williams** – Questioned by Councilmembers
- **Mimi Soto** – Upgrade sounds like a luxury. Maintenance/improvements not upgrade, a necessity. A lot less costly than not taking care of infrastructure, having to repair.